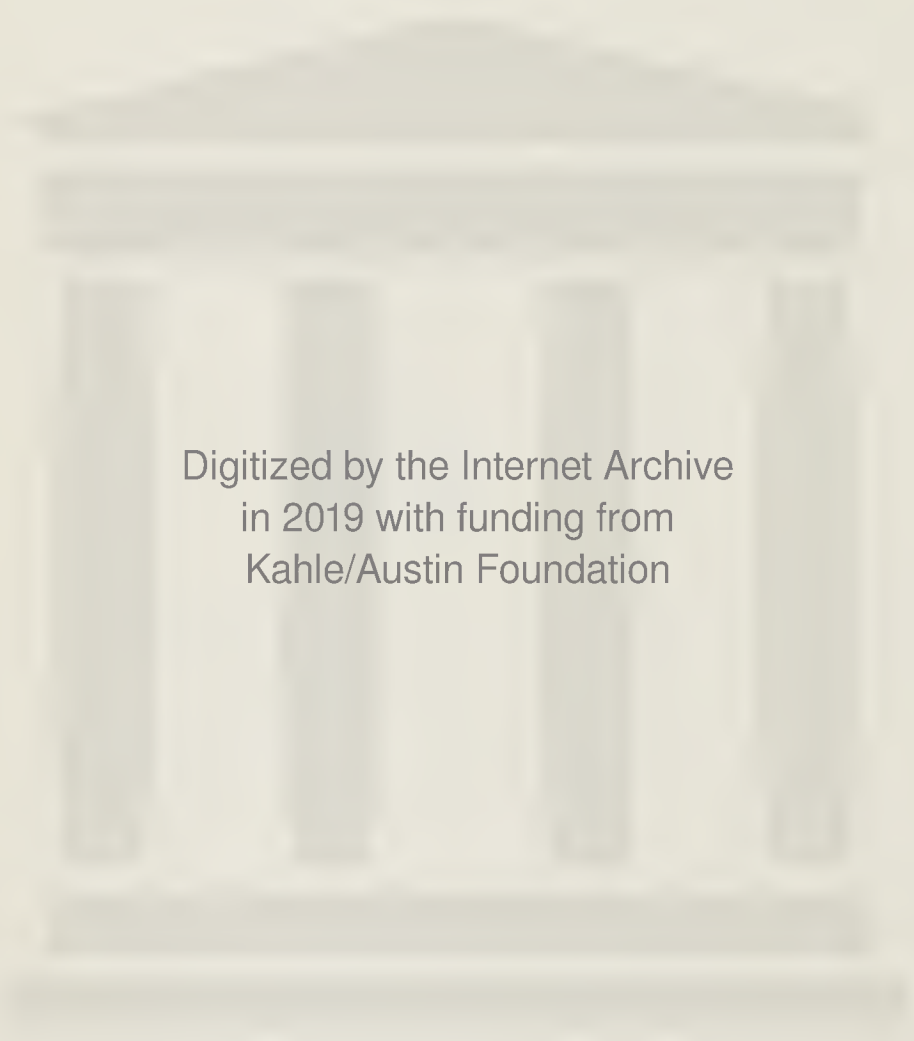


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Foreign Relations of the United States 1948

Volume III
Western Europe



United States
Government Printing Office
Washington : 1974

HISTORICAL OFFICE

For sale by the
U.S. Government Book Store
Department of State

Washington, D.C. 20520 - Price \$12.90 (Buckram)

PREFACE

This volume was prepared under the direct supervision of S. Everett Gleason, former Chief of the Foreign Relations Division, and Fredrick Aandahl, the present Chief.

David H. Stauffer prepared the sections on a Western European Union and related matters, Denmark, and Iceland. Ralph R. Goodwin and Marvin W. Kranz prepared the section on the European Recovery Program. Howard McGaw Smyth prepared the sections on Italy and the Free Territory of Trieste, and Mr. Aandahl that on France. Charles S. Sampson prepared the sections on Portugal, Spain, and the United Kingdom. Margaret G. Martin and Ruth M. Worthing provided editorial and research assistance.

The editors acknowledge with appreciation the assistance provided them by the historians of the Department of Defense, including the Joint Chiefs of Staff. They are also grateful for the cooperation of the National Security Council, the Department of the Treasury, the Department of Defense, and the Central Intelligence Agency, all of which concurred in the declassification of various papers for release herein. Thanks are also due to those foreign governments that kindly granted permission for the publication of certain of their documents in this volume.

The Publishing and Reproduction Division (Willard M. McLaughlin, Chief) was responsible for the technical editing of the volume. The index was prepared by Francis C. Prescott.

WILLIAM M. FRANKLIN
*Director, Historical Office
Bureau of Public Affairs*

PRINCIPLES FOR THE COMPILATION AND EDITING OF “FOREIGN RELATIONS”

The principles which guide the compilation and editing of *Foreign Relations* are stated in Department of State Regulation 2 FAM 1350 of June 15, 1961, a revision of the order approved on March 26, 1925, by Mr. Frank B. Kellogg, then Secretary of State. The text of the regulation, as further amended is printed below :

1350 DOCUMENTARY RECORD OF AMERICAN DIPLOMACY

1351 *Scope of Documentation*

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. These volumes include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions within the range of the Department of State's responsibilities, together with appropriate materials concerning the facts which contributed to the formulation of policies. When further material is needed to supplement the documentation in the Department's files for a proper understanding of the relevant policies of the United States, such papers should be obtained from other Government agencies.

1352 *Editorial Preparation*

The basic documentary diplomatic record to be printed in *Foreign Relations of the United States* is edited by the Historical Office, Bureau of Public Affairs of the Department of State. The editing of the record is guided by the principles of historical objectivity. There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

- a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
- b. To condense the record and avoid repetition of needless details.
- c. To preserve the confidence reposed in the Department by individuals and by foreign governments.
- d. To avoid giving needless offense to other nationalities or individuals.
- e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternatives presented to the Department before the decision was made.

1353. *Clearance*

To obtain appropriate clearances of material to be published in *Foreign Relations of the United States*, the Historical Office:

- a. Refers to the appropriate policy offices of the Department and of other agencies of the Government such papers as appear to require policy clearance.
- b. Refers to the appropriate foreign governments requests for permission to print as part of the diplomatic correspondence of the United States those previously unpublished documents which were originated by the foreign governments.

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LIST OF ABBREVIATIONS AND SYMBOLS

Editor's Note.—This list does not include standard abbreviations in common usage; unusual abbreviations of rare occurrence which are clarified at appropriate points; and those abbreviations and contractions which, although uncommon, are understandable from the context.

- A- (plus number), airgram
A-1, -2, -3, -4, sections of an air staff
AA, Air Attaché
AAF, Army Air Force (U.S.)
AC, Allied Commission
ACC, Allied Control Commission, or Council
AC of S, Assistant Chief of Staff
AF, Division of African Affairs, Department of State
AFA, Allied Financial Agency
Afem, series indicator for telegrams relating to the Foreign Aid Act of 1947 (Public Law 389)
AFHQ, Allied Force Headquarters (Mediterranean Theater)
AFL, American Federation of Labor
AGWar, Adjutant General, War Department
ALUSNA, U.S. Naval Attaché
Amb, Ambassador
AMC, Allied Military Command (of the Allied Zone of the Free Territory of Trieste)
AmDel, American Delegation
AmEmb, American Embassy
AMG, Allied Military Government
AMGVG, Allied Military Government, Venezia Giulia
ANFD, *Alianza Nacional de Fuerzas Democráticas*, Spanish political group
ANPI, *Associazione Nazionale Partigiani d'Italia* (National Association of Italian Partisans)
AOA, American Overseas Airlines
ARAR, *Azienda Rilevo Alienazione Residui*, the Agency of the Italian Government to receive surplus material and to dispose of it on a commercial basis
AT, Assistant Secretary of State for Economic Affairs
ATC, Air Transport Command
AUSA, *Assistenza degli Stati Uniti d'America* (Assistance of the United States of America), the Italian designation of the U.S. Foreign Aid Program
BBC, British Broadcasting Corporation
BC, Division of British Commonwealth Affairs, Department of State
BEA, British European Airways
Benelux, Belgium, Netherlands, Luxembourg
BETFor, British Element, Trieste Forces
BMA, British Military Administration
BOAC, British Overseas Airways Corporation
BOT, Board of Trade (British)
BTA, British Troops, Austria
CA, Conference Attaché
CAA, Civil Aeronautics Administration
CAB, Civil Aeronautics Board
CC, Central Committee of the Communist Party of the Soviet Union
CCAC, Combined Civil Affairs Committee
CCP, Chinese Communist Party
CCS, Combined Chiefs of Staff
CD, Christian Democrat
CE, Division of Central European Affairs, Department of State
CEEC, Committee (Council, Conference) for European Economic Cooperation
Cere, series indicator for telegrams to the U.S. Delegation on the Committee for European Economic Cooperation
CFM, Council of Foreign Ministers

- CFTC**, *Confédération Française des Travailleurs Chrétiens* (French Confederation of Christian Workers)
- CGIL**, *Confederazione Generale Italiana del Lavoro* (General Confederation of Italian Labor)
- CGMTO**, Commanding General, Mediterranean Theater of Operations
- CGT**, *Confédération Générale du Travail* (General Confederation of Labor), in France
- CGT-FO**, *Confédération Générale du Travail-Force Ouvrière* (General Confederation of Labor-Workers Force), in France
- CIA**, Central Intelligence Agency
- c.i.f.**, cost, insurance, and freight
- C-in-C**, Commander in Chief
- CINCNELM**, Commander in Chief, U.S. Naval Forces, Eastern Atlantic and Mediterranean
- CIO**, Congress of Industrial Organizations
- CIOS**, Combined Intelligence Operations Section
- circair**, circular airgram
- cirtel**, circular telegram
- CLN**, *Comitato di Liberazione Nazionale*, Italian political group
- CLNAI**, *Comitato de Liberazione Nazionale per l'Alta Italia* (Committee of National Liberation for Northern Italy)
- CMF**, Central Mediterranean Force (British)
- CNO**, Chief of Naval Operations
- CNT**, *Confederación Nacional del Trabajo* (National Confederation of Labor), in Spain
- Colit**, series indicator for telegrams to the U.S. Deputy for the Italian Colonies of the Council of Foreign Ministers
- ComGenMed**, Commanding General, Mediterranean
- Cominform**, Communist Information Bureau
- Comm One**, Committee One of the United Nations
- CP**, Communist Party
- CP**, Division of Commercial Policy, Department of State
- CPF**, Communist Party of France
- CPI**, Communist Party of Italy
- CPJ**, Communist Party of Yugoslavia
- CPSU**, Communist Party of the Soviet Union
- CRC**, Central Rhine Commission, at Strasbourg, France
- CRO**, Commonwealth Relations Office (British)
- CSA**, Czechoslovak State Airline
- DefenseSec**, Secretary of Defense
- Delga**, series indicator for telegrams from the U.S. Delegation at the United Nations General Assembly
- Delsec**, series indicator for telegrams to the Secretary of State while heading a U.S. Delegation away from Washington
- Depcirair**, circular airgram from the Department of State
- Depcirinst**, circular instruction from the Department of State
- Depintel** (Depinfotel), information telegram from the Department of State
- Depitcol** (Deptitcol), Deputies for the Italian Colonies of the Council of Foreign Ministers
- Deptel**, telegram from the Department of State
- desp**, despatch
- DP**, displaced person
- DRE**, Division of Research for Europe, Department of State
- DS**, Division of Protective Services, Department of State
- E**, Assistant Secretary of State for Economic Affairs
- ECA**, Economic Cooperation Act, or Administration
- Ecato**, series indicator for telegrams from the Economic Cooperation Administration in Washington to its missions abroad
- ECE**, Economic Commission for Europe
- ECO**, European Coal Organization
- Econ**, series indicator for telegrams to the U.S. Delegation to the Economic Commission for Europe
- ECOSOC**, Economic and Social Council of the United Nations

ED, Division of Investment and Economic Development, Department of State

EE, Division of Eastern European Affairs, Department of State

EM, enlisted man, enlisted men

Embdes, despatch from an American Embassy

Embniact, night action (urgent) message from an American Embassy

Embtel, telegram from an American Embassy

EP, Division of Economic Property Policy, Department of State

ERP, European Recovery Program

ETA, estimated time of arrival

ETD, estimated time of departure

EthLeg, Ethiopian Legation

EUCOM, European Command, U.S. Army

EUR, Office of European Affairs, Department of State

ExIm (Ex-Im Bank), Export-Import Bank of Washington

Fan, series indicator for telegrams to the Supreme Allied Commander, Mediterranean, AFHQ, from the Combined Chiefs of Staff

Fat, series indicator for telegrams to General Airey, Commanding General of the Allied Forces in the Free Territory of Trieste, from the Combined Chiefs of Staff

FBI, Federal Bureau of Investigation, Department of Justice

FC, Division of Foreign Activity Correlation, Department of State

FEC, Far Eastern Commission

FIC, Field Investigation Commission (in the former Italian colonies)

Ficus, series indicator for telegrams to the U.S. section on the Field Investigation Commission (in the former Italian colonies)

FLC, Foreign Liquidation Commissioner, Department of State

FN, Division of Financial Affairs, Department of State

FO, *Force Ouvrière* (Workers Force), in France

FonMin, Foreign Minister, Ministry

FonOff, Foreign Office

FSO, Foreign Service Officer

FTT, Free Territory of Trieste

Fund, International Monetary Fund

FYI, for your information

G-1, -2, -3, -4, -5, sections of a military staff, in a division or larger unit

GA, General Assembly of the United Nations

Gadel, series indicator for telegrams to the U.S. Delegation at the United Nations General Assembly

GATT, General Agreement on Tariffs and Trade

GHQ, General Headquarters

GOC, Committee of Good Offices for the Netherlands East Indies of the United Nations Security Council; or General Officer Commanding

GPU, Soviet secret police

Green, Greenland

GSC, General Staff Corps

GTI, Division of Greek, Turkish, and Iranian Affairs, Department of State

HMG, His (Her) Majesty's Government in the United Kingdom (or in The Netherlands, etc.)

IAC, Iceland Airport Corporation

IARA, Inter-Allied Reparation Agency

IBD, Division of International Broadcasting, Department of State

IBRD, International Bank for Reconstruction and Development

IC, Interim Committee of the General Assembly of the United Nations

ICAO, International Civil Aviation Organization

IEFC, International Emergency Food Council

IMF, International Monetary Fund

INCOM, an Italian newsreel service

infotel, information telegram

INI, *Instituto Nacional de Industria* (National Institute of Industry), in Spain

INP, Division of International Press and Publications, Department of State

INS, International News Service

inst, instruction

- Invest Com**, Investigation Commission
(in the former Italian colonies)
- IR**, International Resources Division,
Department of State
- IRO**, International Refugee Organization
- IS**, Division of International Security
Affairs, Office of United Nations
Affairs, Department of State
- Itcol**, series indicator for telegrams
from the U.S. Deputy for the
Italian Colonies of the Council of
Foreign Ministers
- ITO**, International Trade Organization
- ITP**, Office of International Trade
Policy, Department of State
- IWG**, International Working Group
- JCS**, Joint Chiefs of Staff
- KLM**, Royal Dutch Airlines
- L, Le**, Office of the Legal Adviser, De-
partment of State
- LA**, Latin America
- Lasco**, series indicator for telegrams
to the U.S. Representative to the
European Coal Organization
- Legtel**, telegram from an American
Legation
- LP**, Division of Lend-Lease and Sur-
plus War Property Affairs, Depart-
ment of State
- MA**, Military Attaché
- MAA**, Military Air Attaché
- MAR**, Military Attaché report
- Martel**, series indicator for telegrams
from Secretary of State Marshall
while away from Washington
- ME**, Middle East
- MEA**, Mission for Economic Affairs,
U.S. Embassy, London
- Mefa**, series indicator for telegrams
relating to the Foreign Aid Act of
1947 (Public Law 389)
- MFN**, most favored nation
- MILA**, Military Liquidating Agency
- MinFonAff**, Minister of Foreign Affairs
- MOFP**, Ministry of Fuel and Power
(British)
- MRP**, *Mouvement Républicain Popu-
laire*, French political party
- MTO**, Mediterranean Theater of Op-
erations
- MTOSA**, Mediterranean Theater of
Operations, United States Army
- mydes**, my despatch
- mytel**, my telegram
- NA**, Naval Attaché
- NAC**, National Advisory Council on
International Monetary and Fi-
nancial Problems
- Naf**, series indicator for telegrams
from the Supreme Allied Com-
mander, Mediterranean, AFHQ, to
the Combined Chiefs of Staff
- NEA**, Office of Near Eastern and Afri-
can Affairs, Department of State
- NEI**, Netherlands East Indies
- niact**, night action, communications
indicator requiring attention by the
recipient at any hour of the day or
night
- NME**, National Military Establish-
ment
- Noce**, series indicator for telegrams
from the U.S. Delegation to the
Economic Commission for Europe
- NOE**, Division of Northern European
Affairs, Department of State
- NSC**, National Security Council
- NSRB**, National Security Resources
Board
- NV**, *note verbale*
- OA**, Division of International Or-
ganization Affairs, Department of
State
- OEEC**, Organization for European
Economic Cooperation
- OFD**, Office of Financial and Develop-
ment Policy, Department of State
- OFLC**, Office of the Foreign Liquida-
tion Commissioner, Department of
State
- OIE**, Office of Information and Educa-
tional Exchange, Department of
State
- OIR**, Office of Intelligence Research,
Department of State
- OIT**, Office of International Trade,
Department of Commerce
- OMGUS**, Office of Military Govern-
ment in Germany (United States)
- OSR**, Office of the U.S. Special Repre-
sentative in Europe under the
Foreign Assistance Act of 1948
- OVIR**, Bureau of Visas and Registra-
tion of Foreigners, in the Ministry
for Internal Affairs of the Soviet
Union
- P**, Office of the Assistant Secretary of
State for Public Affairs

PAA, Pan American Airways
Par, series indicator for telegrams relating to the U.S. Foreign Relief Program
PCF, *Parti Communiste Français* (French Communist Party)
PCI, *Partito Comunista Italiano* (Italian Communist Party)
PDF, Popular Democratic Front (in Italian election of April 1948)
PED, Petroleum Division, Department of State
PL, Public Law
PM, Prime Minister
POL, petroleum, oil, and lubricants
PolAd, Political Adviser
POS, Public Affairs Overseas Program Staff, Department of State
PPS, designation for documents by the Policy Planning Staff, Department of State
PRI, *Partito Repubblicano Italiano*, Italian political party
PriMin, Prime Minister
PRL, *Parti Républicain de la Liberté*, French political party
PSI, *Partito Socialista Italiano*, Italian political party
PSLI, *Partito Socialista dei Lavoratori Italiani* (Socialist Party of Italian Workers, or Saragat Socialists)
R, Special Assistant to the Secretary of State for Research and Intelligence
R/SPS, Special Projects Staff of R
Rap, series indicator for telegrams relating to the U.S. Foreign Relief Program
Rece, series indicator for telegrams from the U.S. Delegation on the Committee for European Economic Cooperation
reEmb, regarding Embassy's message
refdes, despatch under reference
reftel, telegram under reference
remy, regarding my message
reourtel, regarding our telegram
Repto, series indicator for messages to the Economic Cooperation Administration headquarters in Washington from the U.S. Special Representative in Europe under the Foreign Assistance Act of 1948
reurtel, regarding your telegram

RFC, Reconstruction Finance Corporation
RGR, *Rassemblement des Gauches Républicaines*, French political party
RJ, ratification by Yugoslavia of the Treaty of Peace with Italy
RPF, *Rassemblement du Peuple Français*, French political party
Rus, series indicator for telegrams from the Combined Chiefs of Staff to the Commander of the British-United States Zone, Free Territory of Trieste, regarding the provision of currency for the Zone by agreement with the Government of Italy
S, Secretary of State
SAC, Supreme Allied Commander
SACMED, Supreme Allied Commander, Mediterranean
Safehaven, code name for a U.S. program begun in 1946 to block the flight of Axis capital assets to neutral countries
SANACC, State-Army-Navy-Air Force Coordinating Committee
SC, Security Council of the United Nations
SCAP, Supreme Commander for the Allied Powers in Japan
SD, Shipping Division, Department of State
SD, Social Democrats
SDU, Slovene Democratic Union (in the Free Territory of Trieste)
SE, Division of Southern European Affairs, Department of State
SEC, Securities and Exchange Commission
Secdel, series indicator for telegrams from the Secretary of State while heading a U.S. Delegation away from Washington
SecGen, Secretary-General
SecState, Secretary of State
SFIO, *Section Française de l'Internationale Ouvrière*, the official title of the French Socialist party
SHAEF, Supreme Headquarters, Allied Expeditionary Force
SMA, SMAD, SMAG, Soviet Military Administration (Germany)
SNCF, *Société Nationale des Chemins de Fer Français* (French National Railroad Authority)

- Sococo**, series indicator for telegrams to the U.S. Delegate to ECOSOC
- SONJ**, Standard Oil Company of New Jersey
- SovDel**, Soviet Delegation
- S/P**, Policy Planning Staff, Department of State
- SPI**, Socialist Party of Italy
- SU**, *Sindacati Unici*, labor group in Trieste
- Sur**, series indicator for telegrams to the Combined Chiefs of Staff from the Commander of the British-United States Zone, Free Territory of Trieste, regarding the provision of currency for the Zone by agreement with the Government of Italy
- SWN**, designation for a series of papers of the State-War-Navy Coordinating Committee
- SWNCC**, State-War-Navy Coordinating Committee; also a designation for a series of papers of that Committee
- SYG**, Secretary-General
- T**, Assistant Secretary of State for Transport and Communications
- TA**, trade agreement
- TAC**, Interdepartmental Committee on Trade Agreements
- Taf**, series indicator for telegrams from General Airey, Commanding General of the Allied Forces in the Free Territory of Trieste, to the Combined Chiefs of Staff
- TASS**, Telegraph Agency of the Soviet Union, official communications agency of the Soviet Union
- TC**, Trusteeship Council of the United Nations
- telecon**, telecommunication conversation or conference
- Telmar**, series indicator for telegrams to Secretary of State Marshall while away from Washington
- TIAS**, Treaties and Other International Acts Series, official publication by the Department of State
- Toeca**, series indicator for telegrams to the Economic Cooperation Administration in Washington from its missions abroad
- Torep**, series indicator for messages from the Economic Cooperation Administration headquarters in Washington to the U.S. Special Representative in Europe under the Foreign Assistance Act of 1948.
- TRC**, Office of Transport and Communications, Department of State
- TRUST**, Trieste United States Troops
- TUC**, Trades Union Congress (British)
- U**, Under Secretary of State
- UDSR**, *Union Démocratique et Socialiste de la Résistance*, French political party
- UGT**, *Unión General del Trabajadores* (General Union of Laborers), in Spain
- UKDel**, United Kingdom Delegation
- UMT**, Universal Military Training
- UNA**, Office of United Nations Affairs, Department of State
- UND**, Division of Dependent Area Affairs, Department of State
- UNESCO**, United Nations Educational, Scientific and Cultural Organization
- UNRRA**, United Nations Relief and Rehabilitation Administration
- UNSCOB**, United Nations Special Committee on the Balkans
- UQ**, *Uomo Qualunque* (Mr. Everyman), a movement, and then a political party, founded in Italy in 1946 by Guglielmo Giannini, a movement of protest against the anti-Fascists
- urdes**, your despatch
- urtel**, your telegram
- USAF**, U.S. Air Force
- USAFE**, U.S. Air Forces in Europe
- USDel**, U.S. Delegation
- USFA**, U.S. Forces in Austria
- USFAP**, U.S. Foreign Aid Program
- USFET**, U.S. Forces, European Theater
- USFIC**, U.S. section of the Field Investigation Commission (in the former Italian colonies); also *Usfic*, series indicator for telegrams from the U.S. section of that Commission
- USFRP**, U.S. Foreign Relief Program
- USG**, U.S. Government

USIS, U.S. Information Service
USUN, U.S. Mission at the United Nations
VOA, VOUSA, Voice of America
WAA, War Assets Administration
WARX, WAREX, series indicators for telegrams sent overseas by the Department of the Army or by Army Headquarters, Washington
WD, War Department
WE, Division of Western European Affairs, Department of State

WFTU, World Federation of Trade Unions
WHO, World Health Organization
WPA, Works Progress Administration
WUCOS, Western Union Chiefs of Staff
YMS, motor mine sweeper
yrdes, your despatch
yrtel, your telegram
Zecho, Czechoslovakia

UNITED STATES ENCOURAGEMENT OF A WESTERN
EUROPEAN UNION; ANTECEDENTS OF THE NORTH
ATLANTIC TREATY ORGANIZATION; NEGOTIATIONS
REGARDING A NORDIC DEFENSE PACT, SWEDISH
NEUTRALITY, AND POSSIBLE SCANDINAVIAN PAR-
TICIPATION IN A WESTERN EUROPEAN UNION

840.00/12-2247 : Telegram

The Chargé in London (Gallman) to the Secretary of State

TOP SECRET US URGENT LONDON, December 22, 1947—5 p. m.

6585. Personal for the Secretary. Bevin¹ is under considerable pressure from Bidault² to be furnished with a copy of the record of the talks he had with you on December 17 and 18.³ While Bevin definitely does not want to make a practice of giving records of talks to a third party, he does think that in this instance, in order to make Bidault feel that he is “a member of the club”, a somewhat expurgated account should be given Bidault. Bevin wishes to know whether you approve his giving Bidault the following expurgated record of these talks:

“December 17. The Secretary of State said that the problem was to decide what we should now do. He had discussed the position with M. Bidault that morning. His own idea was that the problem should not be isolated into a mere quarrel between the western powers and the Soviet Union. The issue, to use a phrase of the American Ambassador's,⁴ was where power was going to rest. His own idea was that we must devise some western democratic system comprising the Americans, ourselves, France, Italy etc., and of course the Dominions. This would not be a formal alliance but an understanding backed by power, money and resolute action. It would be a sort of spiritual federation of the west. He knew that formal constitutions existed in the United States and France. He, however, preferred, especially for this purpose, the British conception of unwritten and informal understandings.

¹ Ernest Bevin, British Secretary of State for Foreign Affairs.

² Georges Bidault, French Minister of Foreign Affairs.

³ The Chargé was referring here to the Bevin-Marshall conversations in London that followed the closing on December 15 of the London Meeting of the Council of Foreign Ministers. For documentation on the post-conference talks, see *Foreign Relations, 1947*, vol. II, pp. 811 ff.

⁴ Lewis W. Douglas, Ambassador in the United Kingdom.

The Secretary of State would have to make a statement in the House of Commons tomorrow (December 18)⁵ but he would say little about the future and he thought it better that no public pronouncements of future policy should be made until our planners got to work. He himself favored the whole problem of Germany, e.g. frontiers, the three zones, political organization, economic rehabilitation, balance of payments etc., being discussed between British, American and French officials. In considering the future form of German political organization, we must always aim at an eventually united Germany. Then any German irredentist movement for unity would come from the west and not from the east. Although we must consider the problem very carefully our reaction should also be quick and resolute.

The Secretary of State said that they would also have to consider the problem of security in which France was even more vitally interested than we were. The essential task was to create confidence in western Europe that further Communist inroads would be stopped. The issue must be definite and clear.

The Secretary of State said that he now felt that the spiritual consolidation of western civilization was possible. The form in which it should be done required more study and nothing would be lost if we spent a few days in discussions between our officials. But there should above all be no public pronouncements about future plans until we had our ideas clear.

Mr. Marshall said that he felt that they must distinguish between the material and spiritual aspects of this program. He had tried to cover the former in his recent speech⁶ to the Pilgrims dinner on the lines that if those concerned were reasonably sensible, material regeneration should be the outcome of the European recovery program, the purpose of which was the rehabilitation of the European patient. He had no criticism of Mr. Bevin's general idea. But he thought there should be an understanding as soon as possible on their immediate objectives. He felt that what was already being done on the material plane should now be given greater dignity. But it was not necessary to write everything down in detail. What was needed was a clear understanding. He was very willing to have matters discussed with a view to arriving at such an understanding. Indeed there was no choice in the matter. They had to reach such an understanding. They must take events at the flood stream and produce a coordinated effort.[""]⁷

[Here follow matters relating specifically to Germany.]

GALLMAN

⁵ For text, see *Parliamentary Debates*, House of Commons, 1947-48, 5th series, vol. 445, cols. 1874 ff.

⁶ An address entitled "Peace and Understanding—The Desire of All Mankind" delivered before the Pilgrims Society in London on December 12, 1947. For text, see Department of State *Bulletin*, December 21, 1947, p. 1201.

⁷ In reply to telegram 6585, Gallman was asked to inform Bevin that the Department had no objection to his showing Bidault the proposed record, provided that he made it clear that the United States record showed that Marshall had indicated during the conversations that he was not definitely approving at that time any particular course of action (telegram 5350, December 24, 840.00/12-2247).

740.00119 Council/12-2447 : Telegram

The Secretary of State to the Embassy in Belgium

TOP SECRET

WASHINGTON, January 10, 1948—3 p. m.

40. Embtel 2040 Dec. 24.¹ We appreciate Spaak's speaking so frankly and share his concern.

[For other portions of this telegram, see page 358. The final section, printed below, answers a request in telegram No. 2040 for reassurance concerning the military security of Western Europe, which might be passed on to the Belgian Foreign Minister.]

(4) Constitutional, traditional and material factors make reassurance on security difficult. We have just ratified Treaty of Rio de Janeiro² which Spaak might be interested in reading. Our four power draft treaty³ to insure disarmament of Germany was on agenda at London but was not reached for discussion. We have no reason to expect any change in Soviet opposition to it. Without participation all four powers this draft loses reality and would not go to heart present European security problems. General German settlement will involve questions as to what three Western powers can do to increase security Western Europe. We would favor widening this to include participation other Western European countries if satisfactory way to do this can be found. (This should be confidential for Spaak only for present as we have not yet discussed this question with Brit or French.)

In talking Spaak along foregoing lines you should emphasize that we welcome any ideas he wishes to offer at any time and would welcome even more such leadership as he may exert in CEEC matters.

MARSHALL

¹ In telegram 2040 from Brussels, Chargé Hugh Millard reported the views of Paul-Henri Spaak, Belgian Prime Minister and Minister of Foreign Affairs, concerning European economic and military cooperation. (740.00119 Council/12-2447)

² Inter-American Treaty of Reciprocal Assistance, opened for signature at Rio de Janeiro September 2, 1947. For text, see Department of State, *Treaties and Other International Acts Series No. 1835*, or 62 Stat. (pt. 2) 1681.

³ For text of this treaty, originally submitted to the Council of Foreign Ministers in April 1946, see Department of State *Bulletin*, May 12, 1946, p. 815. For documentation, see *Foreign Relations*, 1946, vol. II, pp. 190-193.

840.00/1-1348*The British Ambassador (Inverchapel) to the Secretary of State*

TOP SECRET

PERSONAL

WASHINGTON, January 13, 1948.

DEAR MR. SECRETARY: I am writing this letter to you since I understand that it will not be possible for me to see you personally in the next day or two.

You will recall that, after the breakdown of the Council of Foreign Ministers in London, Mr. Bevin gave you an outline of his proposals for a Western Union.¹ He has since given further thought to this important problem and has embodied his ideas in a paper,¹ of which he has asked me to give you very secretly the attached summary.

As the first step towards the realisation of this wide project, Mr. Bevin is suggesting to M. Bidault forthwith that the British and French Governments should make a joint offer of a treaty to Belgium, Holland and Luxembourg. If M. Bidault agrees, Mr. Bevin proposes that they should at once concert a draft treaty which should, in Mr. Bevin's view, follow the lines of the Treaty of Dunkirk.² (I attach for easy reference a copy of this Treaty).

Having thus created a solid core in Western Europe, consideration should then be given to the best means of developing the system which Mr. Bevin has in mind and to associating with it other states including Italy, other Mediterranean countries, and Scandinavia. In this way Mr. Bevin plans to link together the non-communist countries of Western Europe with the Middle East.

On the economic side Mr. Bevin hopes that the European Recovery Programme³ will be brought to fruition and will lead to the economic integration of the resources of Western Europe. Everything possible should be done to achieve this. The economic recovery and integration of Western Europe should be supplemented by a plan of development of Africa. With this end in view and as a preliminary step, Colonial talks between the British and French Governments are taking place this month.

Mr. Bevin trusts that the policy outlined above and the initial steps which he proposes to take will commend themselves to you.

I should be glad of an opportunity to discuss this plan with you at a very early date.

Yours sincerely,

INVERCHAPEL

[Enclosure]

SUMMARY OF A MEMORANDUM REPRESENTING MR. BEVIN'S VIEWS ON THE FORMATION OF A WESTERN UNION

The Soviet Government has formed a solid political and economic block. There is no prospect in the immediate future that we shall be

¹ Not found in Department of State files.

² Treaty of Alliance and Mutual Assistance between His Majesty in Respect of the United Kingdom of Great Britain and Northern Ireland and the President of the French Republic, Dunkirk, March 4, 1947. British Cmd. 7217, Treaty Series No. 73 (1947).

³ For documentation on this program, referred to also as the Marshall Plan, see *Foreign Relations*, 1947, vol. III, pp. 197 ff. and *post*, pp. 352 ff.

able to re-establish and maintain normal relations with European countries behind their line. These countries are dominated by the communists, although they are only a minority in each country. Indeed we shall be hard put to it to stem the further encroachment of the Soviet tide. It is not enough to reinforce the physical barriers which still guard our Western civilisation. We must also organise and consolidate the ethical and spiritual forces inherent in this Western civilisation of which we are the chief protagonists. This in my view can only be done by creating some form of union in Western Europe, whether of a formal or informal character, backed by the Americas and the Dominions.

It is clear that from secure entrenchments behind their line the Russians are exerting a constantly increasing pressure which threatens the whole fabric of the West. In some Western countries the danger is still latent, but in others the conflicting forces are already at grips with one another. The Soviet Government has based its policy on the expectation that Western Europe will sink into economic chaos and they may be relied upon to place every possible obstacle in the path of American aid and of Western European recovery. Our course is equally clear. I have done and will continue to do all I can to bring the Marshall Plan to fruition. But essential though it is, progress in the economic field will not in itself suffice to call a halt to the Russian threat. Political and indeed spiritual forces must be mobilised in our defence.

I believe therefore that we should seek to form with the backing of the Americas and the Dominions a Western democratic system comprising, Scandinavia, the Low Countries, France, Italy, Greece and possibly Portugal. As soon as circumstances permit we should, of course, wish also to include Spain and Germany without whom no Western system can be complete. Almost all the countries I have listed have been nurtured on civil liberties and on the fundamental human rights. Moreover, most Western European countries have such recent experience of Nazi rule that they can apprehend directly what is involved in their loss. All in a greater or lesser degree sense the imminence of the communist peril and are seeking some assurance of salvation. I believe, therefore, that the moment is ripe for a consolidation of Western Europe. This need not take the shape of a formal alliance, though we have an alliance with France and may conclude one with other countries. It does, however, mean close consultation with each of the Western European countries, beginning with economic questions. We in Britain can no longer stand outside Europe and insist that our problems and position are quite separate from those of our European neighbours. Our treaty relations with the various countries might

differ, but between all there would be an understanding backed by power, money and resolution and bound together by the common ideals for which the Western Powers have twice in one generation shed their blood.

I am aware that the Soviet Government would react against this policy as savagely as they have done against the Marshall Plan. It would be described as an offensive alliance directed against the Soviet Union. On this point I can only say that in the situation in which we have been placed by Russian policy half measures are useless. If we are to preserve peace and our own safety at the same time, we can only do so by the mobilisation of such a moral and material force as will create confidence and energy on the one side and inspire respect and caution on the other. The alternative is to acquiesce in continued Russian infiltration and helplessly to witness the piecemeal collapse of one Western bastion after another.

The policy I have outlined will require a lead from us. The countries of Western Europe will look to us for political and moral guidance and for assistance in building up a counter attraction to the baleful tenets of communism within their borders and in recreating a healthy society, wherever it has been shaken or shattered by the war.

I have already broached the conception of what I called a spiritual union of the West tentatively to Mr. Marshall and M. Bidault, both of whom seemed to react favourably without, of course, committing themselves. I now propose to ventilate the idea in public in my speech in the forthcoming Foreign Affairs Debate and thereafter to pursue it, as occasion demands, with the governments concerned.

840.00/1-1948

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Secretary of State*

TOP SECRET

[WASHINGTON,] January 19, 1948.

MR. SECRETARY: Since dictating the enclosed memorandum¹ this morning regarding Mr. Bevin's proposal for a Union of Western Europe, we have received a telegram from our Embassy in Brussels (110, Jan. 17, 10 p.m.)¹ stating that the British-French proposal regarding the extension to Belgium of the Dunkirk Pact has been received. Prime Minister Spaak stated that unless this Pact was meant as a screen behind which to consider defenses against Russia, it was meaningless because of Germany's present position. Spaak said that any defense arrangements which did not include the United States

¹ Not printed.

were without practical value. He said that if he acceded to this proposal in its present form he would "deceive the Belgian people".

My own feeling is that while Mr. Bevin's objective is magnificent, his first step (extension of the Dunkirk Pact against German aggression) is highly dubious. In my opinion a European Pact modelled on the treaty of Rio de Janeiro is the best answer to the security problem for Western Europe. For such a pact to be really effective, the United States would have to adhere. I believe that this country could and should adhere to such a treaty if it were clearly linked up with the UN.

I realize that you will have to consider this whole problem very carefully and confer with the President about it but my views, for what they are worth, are set forth above.

JOHN HICKERSON

S40.00/1-2048

*Memorandum by the Director of the Policy Planning Staff (Kennan)
to the Secretary of State*

TOP SECRET

[WASHINGTON,] January 20, 1948.

MR. SECRETARY: With regard to Mr. Bevin's memorandum¹ on the formation of a western Union, the following are my views:

1. The project of a union among the western European nations, under combined French-British auspices, is one which we should welcome just as warmly as Mr. Bevin welcomed your Harvard speech.² Only such a union holds out any hope of restoring the balance of power in Europe without permitting Germany to become again the dominant power.

For this reason, I think you should tell Mr. Bevin that we welcome the undertaking warmly and that he will have our whole-hearted sympathy and support in proceeding with it.

2. However, if the idea is really that which Mr. Bevin sets forth in his memorandum, I do not see that a joint offer to Belgium, Holland and Luxembourg of a treaty modelled on the Treaty of Dunkirk would be the best way to lead into it.

(a) Military union should not be the starting point. It should flow from the political, economic and spiritual union—not vice versa.

(b) The introduction of the note of military defense right at the outset might frighten several of the outlying countries (notably the Scandinavians) rather than attract them.

¹ *Ante*, p. 4.

² Speech at Harvard University, June 5, 1947. For text, see *Foreign Relations*, 1947, vol. III, p. 237, or *Department of State Bulletin*, June 15, 1947, p. 1159.

(c) The role of the German people in any European union will eventually be of prime importance. The general adoption of a mutual-assistance pact based squarely on defense against Germany is a poor way to prepare the ground for the eventual entry of the Germans into this concept.

3. Since the combination of Bevin's memorandum and Inverchapel's letter³ leaves some doubt as to what the British really have in mind, I think Inverchapel might be pressed for further details on this subject.

I am afraid there is a tendency among Bevin's subordinates to view it too much as just another "framework" of military alliances. In my opinion, this would be negative and of little value. If there is to be "union", it must have some reality in economic and technical and administrative arrangements; and there must be some real federal authority.

4. Again, as in the case of the recovery program, the initiative must come from Europe, and the project must be worked out over there.

People in Europe should not bother their heads too much in the initial stage about our relationship to this concept; if they develop it and make it work, there will be no real question as to our long-term relationship to it, even with respect to the military guarantee. This will flow logically from the circumstances.

GEORGE F. KENNAN

³ *Ante*, p. 3.

840.00/1-2048

The Secretary of State to the British Ambassador (Inverchapel)

TOP SECRET PERSONAL

WASHINGTON, January 20, 1948.

MY DEAR MR. AMBASSADOR: I have received your letter of January 13, 1948 in regard to Mr. Bevin's views relating to the formation of a Western Union.

I share his views concerning the serious situation which confronts the free countries of western Europe and the urgency of measures to enable them to concert with one another for their common safety and good. As in the case of the recovery program, we heartily welcome European initiative in this respect and Mr. Bevin may be assured of our wholehearted sympathy in this undertaking. His proposal summarized in the enclosure to your letter looks to a closer material and spiritual link between the western European nations. I believe this will serve to reinforce the efforts which our two countries have been making to lay the foundation for a firm peace.

Mr. Bevin's proposal is of such fundamental importance to the future of western civilization that it will need and, I am sure, will receive his continuing study and that of his European colleagues. The initiative which he is taking in this matter will be warmly applauded in the United States. I want him to know that his proposal has deeply interested and moved me and that I wish to see the United States do everything which it properly can in assisting the European nations in bringing a project along this line to fruition. I hope he will feel free to consult with me from time to time when he thinks I can be of assistance.

Sincerely yours,

G. C. MARSHALL

840.00/1-2148

Memorandum of Conversation, by the Director of the Office of European Affairs (Hickerson)

TOP SECRET

[WASHINGTON,] January 21, 1948.

Participants: The British Ambassador, Lord Inverchapel
Mr. Denis Allen, Counselor, British Embassy
Mr. Hickerson
Mr. Reber ¹

The British Ambassador came in to see Mr. Hickerson at 11 o'clock this morning by an appointment made at his request. He expressed his appreciation of a letter dated January 20, 1948, from the Secretary of State to him commenting on Mr. Bevin's proposals looking to the formation of a union of the free countries of Western Europe. He recalled that he had discussed this with Mr. Hickerson after leaving the Secretary's office the day before yesterday ² and he added that he was anxious to continue the discussion and to obtain some working level views in the Department concerning this matter.

Mr. Hickerson said that he thought the best way of letting Lord Inverchapel know the ideas which were being considered on the pick and shovel level in the Department would be to read him informally a memorandum which summarized them as follows:

The Ambassador's letter of January 13 stated that as a first step toward the realization of this wide project Mr. Bevin proposes, if M. Bidault agrees, that the United Kingdom and the French Governments make a joint offer of a treaty to Belgium, the Netherlands and Luxembourg along the lines of the Treaty of Dunkirk which is directed against a threat of renewed German aggression. While recognizing that this is intended only as a first step, there are some doubts

¹ Samuel Reber, Deputy Director of the Office of European Affairs.

² Record of these conversations of January 19 not found in Department of State files.

in our minds as to whether in the present circumstances it is an adequate one.

It seems that any adequate regional defense system for western European countries should envisage defense measures to be taken in the event of aggression or attack from any source, even if one member of the group should attack another member. This is the underlying strength of the recent Inter-American Defense Treaty signed last year at Rio de Janeiro. There is full agreement with Mr. Bevin that the role of Germany in the union he proposes will eventually be of prime importance. Therefore there is some question whether the general adoption of a mutual assistance pact based solely on defense against Germany will facilitate eventual entry of Germany into this concept.

Mr. Bevin's memorandum refers to a western democratic system with the backing of the Americas and the Dominions. As he is aware, this country is thoroughly in sympathy with proposals looking toward closer cooperation between the free countries of the west. This country will heartily welcome any initiative looking toward the mobilization of moral and material forces strong enough to create on the one hand confidence and energy and on the other respect for the determination of the free peoples of the west to maintain their moral and physical independence.

It is not clear whether Mr. Bevin envisages the direct participation of the United States in the security treaty arrangements. The United States is prepared to carry out the obligations which it assumed under the Charter of the United Nations. The United States initiated the proposals contained in the Four-Power disarmament and demilitarization treaty for Germany. It is clear that this latter no longer corresponds to the present situation and that other means must be found to achieve its objectives, in which the United States is prepared to play its part. In addition, if it should be felt in western Europe that the direct participation of the United States in a defense arrangement, established in full harmony with the Charter of the United Nations, would be necessary to its success, the United States Government would be no doubt prepared, very carefully to consider this question. If the peoples of Europe are prepared to develop a concept of spiritual and material unity and to make this work, there will be no real question as to the long-term relationship of the United States with it. Mr. Bevin will appreciate, that without further knowledge of the plans of the European nations in this respect which will require careful study and consultation between the President and our Congressional leaders, there is little more which can be said at this time.

The defense aspects, although of vital importance in the question of a Western European Union, are in a sense negative aspects, and only part of a political, economic and spiritual union. It would be most interesting to receive in due course an elaboration of Mr. Bevin's views on the positive steps which can be taken to promote closer political and economic union of the free countries of the west, and careful consideration would of course be given to the ways in which he feels that this government could assist in bringing this about.

Mr. Hickerson went on to stress the real importance which was attached to Mr. Bevin's proposal and to his initiative in this respect and wished to make it clear that in presenting these observations informally they were in no sense intended to detract from the hearty support we wished to give. This initiative in endeavoring to bring about a closer cooperation politically, economically, and spiritually between the European peoples was heartily condoned by all of us. Mr. Hickerson was confident that Mr. Bevin had no doubt taken some of these considerations into account in making his proposal but it seemed to us that unless the proposed scheme following the lines of the Dunkirk agreement was being made use of as a screen to provide defense against Soviet aggression as well as against revived German aggression, it would fall short of its real objective. Therefore, this approach might well not be adequate or desirable.

Mr. Hickerson then pointed out that the real strength in the Inter-American Defense Act to which reference had been made in the memorandum lay in the fact that automatic action against aggression whether from without or within was provided. He felt that conceived in these terms the European defense system would not seem specifically directed against the Soviets and might make it easier of acceptance by states whose geographical position rendered them more vulnerable to Soviet pressure, such as Sweden. Conceived in these terms it would be even possible for the Soviet Union to join the arrangement without detracting from the protection which it would give to its other members.

As to the role of the United States in such a defense scheme Mr. Hickerson said that there were arguments on both sides with respect to direct participation by the United States. He had envisaged the creation of a third force which was not merely the extension of US influence but a real European organization strong enough to say "no" both to the Soviet Union and to the United States, if our actions should seem so to require. We would be willing to take our chance in dealing with any such organization of freedom-loving nations confident that we could settle any differences with them. Should, however, European nations decide that no regional defense organization could be completed without the United States and that this would give, as Lord Inverchapel had suggested, more assurance to the smaller nations, we felt that this country would be sympathetically disposed and would at least give it very careful consideration. If it were closely associated with the Charter of the United Nations, it might receive a favorable reception. The important aspect of this question was, however, that any such concept should be and should give the impression that it is based primarily on European initiative. If the European nations

created such an organization and made it work, there would be no difficulties in settling our long range relationship with it.

Lord Inverchapel said with respect to the participation of the United States he had felt that certainly this should be at the second stage rather than during the initial phases of the scheme. He said he had gained the impression from his conversation with the Secretary that General Marshall did not preclude direct participation during the second stage. Lord Inverchapel and Mr. Allen were in agreement that there would be no question about the long range relationship of the United States if the plan were worked out but did not know the extent to which direct US participation might be required. Lord Inverchapel then said he appreciated that this expression of views was further indication of the sympathetic attitude which the United States was demonstrating in regard to this proposal and he was grateful for this opportunity to ascertain our views on a working level. He would communicate them with this understanding to London and felt it would be possible usefully to continue the conversation at some later date.

J. D. H[ICKERSON]

Editorial Note

On January 22, 1948, Ernest Bevin delivered a speech in the British House of Commons suggesting the "consolidation of Western Europe." He mentioned the Anglo-French Treaty of Dunkirk as a basis of cooperation and indicated that similar agreements would be proposed to the Benelux countries.

For text, see *Parliamentary Debates*, House of Commons, 1947-48, 5th series, volume 446, columns 383 ff.

840.00/1-2748

*Memorandum of Conversation, by the Under Secretary of State
(Lovett)*

TOP SECRET

[WASHINGTON,] January 27, 1948.

Participants: Mr. Lovett

Lord Inverchapel

Mr. Reber, EUR

Lord Inverchapel opened the conversation by stating that Mr. Bevin had been greatly gratified by the reception given his proposal for a Western Union by the Secretary. The Ambassador said he had reported to London that General Marshall had indicated on January 19 that he was prepared to give full consideration to the extent to which the United States might participate in such a project. In so far as

the political and defense organization of Western Europe was concerned Mr. Bevin now felt that the other European countries would wish to have some indication of the extent of United States support of the program, particularly if they were to commit themselves to any defense system. The Ambassador said he had been instructed to suggest on behalf of Mr. Bevin that in view of the importance of this factor it might be useful for the United States and Great Britain at the present time to consider the possibilities of concluding some defense agreement between them to provide against aggression which could reinforce the defense project Mr. Bevin had proposed for Western Europe. In order to clarify the British position in this respect Mr. Bevin was now suggesting that conversations similar to those held in Washington last summer in respect to the Middle East¹ should now take place between representatives of both Governments, preferably before February 16 when British and French talks on this subject were scheduled to begin.

I informed Lord Inverchapel that this proposal raised questions of the highest importance and that I was not prepared at this time to make any definite response. What Mr. Bevin was now suggesting would in fact mean consideration of a military alliance between the United States and Great Britain. Before any reply could be made even to the suggestion for holding conversations, Mr. Bevin's proposal would require most careful consideration by the National Security Council for the purpose of formulating recommendations to the President and would then undoubtedly involve consultation with Congressional leaders. This study could not be completed in time to permit of any conversations before February 16.

The Secretary had welcomed Bevin's initiative looking toward a closer European union and was prepared to give most careful consideration to the problem it raised with respect to United States participation. This did not, however, necessarily imply any commitment thereto.

I then told Lord Inverchapel that in such an important matter as European union speed was not as important as careful study and indicated that further progress toward realization of this union would be an important factor in determining the extent of United States participation. Furthermore, Congressional consideration of the European Recovery Program which after all was intended to bring about economic improvement and thereby lessen dangers and possibilities of war would be affected if attention were now directed toward military arrangements intended for the same purpose.

¹ For documentation on these conversations, see *Foreign Relations*, 1947, vol. v, pp. 485 ff.

In view of the importance of Mr. Bevin's suggestions, it was agreed that Lord Inverchapel should submit them in writing and that these observations would be considered merely as a preliminary exchange of views.

L[OVETT]

840.00/1-2748

The British Ambassador (Inverchapel) to the Under Secretary of State (Lovett)

TOP SECRET PERSONAL
URGENT

WASHINGTON, January 27, 1948.

DEAR BOB: You asked me to let you have a summary in writing of the oral and informal communication which I made to you this morning¹ on instructions from Mr. Bevin.

I told you that Mr. Bevin was much gratified by the warm welcome given by Mr. Marshall to his proposals for the formation of a Western Union, and by Mr. Marshall's statement in his letter of the 20th January to me of his "wish to see the United States do everything which it properly can in assisting the European nations in bringing a project along this line to fruition."

Mr. Bevin's basic conception is briefly to achieve the economic consolidation of the West through the European Recovery Programme and at the same time to call into being a Western political system founded upon the common way of life of the Western democracies and reinforced by the efforts which will be made to combat Communism in the territories concerned.

A beginning has been made by the joint Anglo-French approach to the Benelux powers,² proposing the conclusion of treaties directed primarily against Germany on the model of the Treaty of Dunkirk. Mr. Bevin regards this approach as the only way in which any progress can be made towards closer unity in Western Europe pending the adoption of some wider scheme in which the United States will play their part. But the treaties that are being proposed cannot be fully effective nor be relied upon when a crisis arises unless there is assurance of American support for the defence of Western Europe. The plain truth is that Western Europe cannot yet stand on its own feet without assurance of support.

¹ See memorandum by Lovett, *supra*.

² The American Ambassador in France, Jefferson Caffery, informed the Department in telegram 372, January 22, 1948 from Paris (not printed), that on Bevin's initiative the British and French representatives in the Hague, Brussels, and Luxembourg were instructed the preceding day to propose to the Benelux governments the negotiation of a pact along the lines of the French-British pact of March 4, 1947 (840.00/1-2248).

Great Britain is only in a position to supply Western European countries with a small part of their economic requirements and, of course, in addition there are the arms and equipment which those countries will require for their own defence. Furthermore, the British Government are not yet in a position to give firm assurances as to the role Britain intends to play in operations on the continent of Europe. They foresee that they will sooner or later be forced into admitting this situation or refusing to discuss it. Either course is likely to land them in trouble. Mr. Bevin has therefore been glad to learn of Mr. Marshall's remark to me on the 19th January that he was already turning over in his mind the question of the participation of the United States in the defence of Europe. Mr. Bevin recognises that the United States Government might find it difficult specifically to commit United States forces to operate on the continent of Europe. But he considers that, if the United States were able to enter with Great Britain into a general commitment to go to war with an aggressor, it is probable that the potential victims might feel sufficiently reassured to refuse to embark on a fatal policy of appeasement.

Mr. Bevin considers therefore that he should now very secretly broach the whole question of Western security with the United States Administration, put the problem to them frankly and ask for their general views. To this end he envisages a procedure similar to that which was recently adopted with success in regard to the Middle East, when informal talks were held in Washington between representatives of the State Department and the Foreign Office, together with representatives of the British and United States Chiefs of Staff.

You will remember that during the Middle East talks the suggestion was made that we might usefully apply this same procedure of secret, frank and informal discussions, without commitment of any kind on either side, to other segments of what we then described as the crescent of middle lands encircling the Soviet Union.

It is Mr. Bevin's hope that by means of such talks on Western Europe, the British and United States representatives might, if they were held in the very early future, be able to clear their minds before meeting the French at the forthcoming tripartite talks on Germany, which are to begin in London on the 19th February.³ It is evident to him that this problem of Western security will be raised at the tripartite talks and also in the course of the treaty discussions with the Benelux countries.⁴

Mr. Bevin has accordingly asked me to find out urgently whether the United States Administration would agree to early talks on these

³ For documentation on this subject, see vol. II, pp. 75 ff.

⁴ For documentation on these discussions, see *ibid.*, pp. 104, 115, and 144.

lines. If so, Mr. Bevin will be ready to send diplomatic and military representatives to Washington from London in time to begin the discussions early next week.

Yours ever,

ARCHIE

840.00/1-2848

Memorandum of Conversation, by the Chief of the Division of Greek, Turkish, and Iranian Affairs (Jernegan)

SECRET

[WASHINGTON,] January 28, 1948.

Participants: The Greek Ambassador—Vassili Dendramis
Mr. Henderson—NEA
Mr. Jernegan—GTI

The Greek Ambassador said that he had had several communications regarding the apparent omission of Greece and Turkey from Mr. Bevin's recently proposed plan¹ for the creation of a Western bloc of European states. These communications had pointed out that Bevin had mentioned France and Italy as possible members of the bloc but had not mentioned Greece or Turkey in this connection. In particular, he had received a report of the views of the Turkish Ambassador in Rome.² According to this report, Ambassador Erkin had suggested the thought that this omission was deliberate and that Bevin had in mind the creation of a bloc of states which would enable Great Britain to make some sort of a deal with the Soviet Union, possibly at the expense of certain small states such as Greece and Turkey. Mr. Erkin had interpreted the speech as an indication that Britain was unwilling to tie herself down in the Middle East.

Mr. Henderson said very emphatically that he thought this interpretation was entirely wrong. He had not himself drawn any such inference from Mr. Bevin's speech. On the contrary, Mr. Bevin had made a very strong and very good statement in another part of his speech with regard to Greece. Furthermore, Mr. Henderson had no reason to believe that Great Britain had in mind any sort of deal whatsoever which would sacrifice any small state. We were in close touch with the British Government and Mr. Henderson had seen most of the communications exchanged. He therefore felt able to say that he would have known of any disposition of the sort feared by the Turkish Ambassador in Rome. He further hoped that the Greek Ambassador knew him well enough to feel sure that he, Mr. Henderson,

¹ Speech delivered in the House of Commons January 22, 1948. See editorial note, p. 12.

² Feridun Cemal Erkin.

would have nothing to do with any policy which proposed to sacrifice the rights of small states.

The Ambassador made no specific comment but gave the impression that he shared Mr. Henderson's opinion and had merely communicated the reports he had received in order to get our reaction.

840.00/2-248

*The Under Secretary of State (Lovett) to the British Ambassador
(Inverchapel)*

TOP SECRET

WASHINGTON, February 2, 1948.

DEAR ARCHIE: Following your conversation with me of January 27 and the receipt of your letter of the same date confirming the oral communication made at that time on instructions from Mr. Bevin, I have discussed the problem with the Secretary of State. I give you the substance of his views as follows:

Mr. Bevin's memorandum of January 13 referred to a western democratic system with the backing of the United States and of the Dominions. As General Marshall stated in his letter of January 20, the United States warmly welcomed Mr. Bevin's initiative looking toward the formation of a Western Union. At that time it was not clear whether the direct participation of the United States in the security treaty arrangements was envisaged. Your letter of January 27 indicates that Mr. Bevin now wishes the British Government to consider jointly with this Government a suggestion that the United States might enter with Great Britain into a general commitment to go to war with an aggressor, thereby reinforcing the defense proposals envisaged for Western Europe.

As I explained to you, and as Mr. Bevin will fully appreciate, the question of any agreement, informal or otherwise, involving the use of armed force is one necessitating the most careful consideration on the part of this Government. Certain procedures within the Executive branches, as well as with the appropriate Congressional Committees, are necessary. It is apparent that there is insufficient time for such consideration and preparations between now and February 19, the date on which the tripartite discussions on Germany are scheduled to begin in London.

Moreover, the Secretary of State feels that European initiative is of first importance. Therefore, the injection of the United States into the matter, before agreement under the proposal of Mr. Bevin has been developed abroad, would be unwise and would certainly be subjected to serious challenge here as premature on our part. When there

is evidence of unity with a firm determination to effect an arrangement under which the various European countries are prepared to act in concert to defend themselves, the United States will carefully consider the part it might appropriately play in support of such a Western European Union, established presumably in harmony with the charter of the United Nations. I note that Mr. Bevin states that "the British Government are not yet in a position to give firm assurances as to the role Britain intends to play in operations on the continent of Europe".

I shall be glad to communicate with you later concerning the possibility of conversations with further reference to this matter when we have had more time to study the proposals and their implications.

Very sincerely yours,

ROBERT A. LOVETT

640.002/2-348 : Telegram

The Ambassador in Belgium (Kirk) to the Secretary of State

SECRET

BRUSSELS, February 3, 1948—9 p. m.

231. ReEmbtel 190, January 28.¹ Inquired of Spaak today as to progress conversations with French and British. He remarked he had seen British Ambassador this morning and will see French Ambassador this afternoon, but did not elaborate.

He said at Benelux meeting January 29 through 31 he, Van Bontzelare,² and Bech³ agreed on following joint action: (1) they welcome Bevin proposal; (2) they do not want series Dunkirk treaties; (3) they want something specific and to point.

Continuing, Spaak said that if five powers, i.e. UK, France and Benelux, arrive at some concrete agreement on Europe, such as entente or alliance, much would be accomplished. Hopes such agreement would include exchange view on many subjects, i.e. political, economic, financial, defense, military, etc. Hopes constant consultation will bring about convergence ideas similar objectives. For example, recent unilateral French monetary measures have been disturbing and matter could have been better solved by some common understanding agreed upon in advance. Hopes formulation such west bloc—he said frankly, would be glad if it were so named—would be tremendous check to USSR and her aggressive westward designs. Mentioned extension such bloc and specifically referred Italy. I inquired whether he intends implement bloc by setting committees or conferences.

¹ Not printed.

² C. G. W. H. Baron van Boetzelar van Oosterhout, Netherlands Minister of Foreign Affairs.

³ Joseph Bech, Luxembourg Minister of Foreign Affairs.

He replied structure might be developed from Article 52 UN Charter.⁴ In subsequent conversations he remarked Foreign Office was studying Rio treaty which afforded precedent and thought that, properly modified, it might serve as basis western pact. (Department's suggestion⁵ seems to have borne fruit.)

Re Germany, he said Benelux participation should of course include right to voice in German affairs.

Sent Department 231, repeated Hague 6.

KIRK

⁴ Article 52 stated that nothing in the Charter precluded the existence of regional arrangements for dealing with matters relating to the maintenance of international peace and security, provided that such arrangements and their activities were consistent with the purposes and principles of the United Nations.

⁵ The suggestion referred to here is probably that contained in telegram 40 to Brussels, p. 3. The full substance of that telegram was conveyed to Spaak in mid-January, according to Chargé Hugh Millard in his telegram 107, January 16, 1948 to the Department (840.50 Recovery/1-1648).

840.00/2-648

The British Ambassador (Inverchapel) to the Under Secretary of State (Lovett)

TOP SECRET PERSONAL

WASHINGTON, February 6, 1948.

DEAR BOB: Mr. Bevin has asked me to thank you for your letter to me of the 2nd February about his proposals for a Western Union. He wishes me to tell you that he appreciates your difficulties and will await with interest the further communication promised in the last paragraph of your letter.

Mr. Bevin quite understands the preoccupations of the United States Government. At the same time he is conscious of a risk of getting into a vicious circle. Without assurance of security, which can only be given with some degree of American participation, the British Government are unlikely to be successful in making the Western Union a going concern. But it appears from your letter that, until this is done, the United States Government for their part does not feel able to discuss participation. In the case of the European Recovery Programme, Mr. Bevin based his action in Europe on Mr. Marshall's forthright and encouraging speech at Harvard and upon the expectation of American aid which it aroused. But, as things stand at present, Mr. Bevin does not feel that, in the political field, he enjoys quite the same measure of outspoken support from the United States, and he holds it to be essential to the success of his plan that something of this kind should be forthcoming.

Meanwhile the British and French Governments having proposed Dunkirk treaties to the Netherlands and Belgian Governments, with Mr. Marshall's approval,¹ are now faced with replies from both Governments rejecting the Dunkirk model and asking for a wider regional instrument under Article 52 of the Charter. In dealing with this new situation it hampers Mr. Bevin not to know how the mind of the United States Government is moving and what arrangements he could propose—out of various alternatives which have suggested themselves as a result of preliminary studies in London—with the best prospect of finding that they would commend themselves to Mr. Marshall from the point of view of possible United States participation at a later stage.

It was for this purpose that Mr. Bevin suggested talks in Washington. He, of course, never intended that these talks should be anything but informal and entirely non-committal. But he had hoped that, in this way, the British Government would be enabled to clear their own minds so as to be able to deal as effectively as possible with the problems in Europe.

Yours ever,

ARCHIE [INVERCHAPEL]

¹ See paragraph 5 of memorandum of conversation by Lovett dated February 7, 1948, which corrects this reference to Marshall's "approval", p. 21.

840.00/2-648 : Telegram

The Ambassador in Norway (Bay) to the Secretary of State

SECRET

OSLO, February 6, 1948—4 p. m.

62. I asked Foreign Minister Lange yesterday how Norway views Bevin proposal Western European Union, whether Norway has been asked to cooperate, and if so what action will Norway take. Foreign Minister stated Norwegian Ambassador London called at Foreign Office after Bevin speech and was informed Scandinavian countries intentionally excluded in Bevin's proposal for procedural reasons and to avoid embarrassing Scandinavian States through forcing them to declare attitude before program further advanced; that Bevin plan envisages as first step agreement by England, France with Benelux countries, second step Italy and Portugal; after which, depending upon progress of plan, discussions with Scandinavian countries.

Lange stated Bevin proposal sound and constructive but Norway should defer open discussions and certainly any decision pending discussion among Scandinavian Governments.

Replying my question whether Stockholm meeting Scandinavian Prime Ministers February 7 would discuss Bevin plan Lange said visit-

ing Prime Ministers invited remain additional day to discuss Scandinavian matters general interest including undoubtedly Bevin plan.

Lange feels Soviet Government unusually allergic at present regarding Norway and best avoid any possible new irritant. As example sensitive reactions eastern bloc Lange said representative Yugoslavia and another Soviet-dominated state called Foreign Office protesting his recent mildly pro-western Storting speech (despatch 47 January 22¹). Lange added Norway also desires avoid friction this particular time because presently discussing several unsettled issues involved Norway-Soviet border agreement, specifically question fishing and floating rights border river and manner protecting newly established border. Also Lange stated minority but sincere element Norway trade unions still harbor faith and friendship toward Russia based on old traditional concept Soviet Socialism. Thus any precipitate or enthusiastic response by Norway to Bevin plan might alienate this group increasing Communist strength Norway.

Lange concluded Norway feels definitely aligned to west and must increasingly fix those ties. He stated belief Norway's tragic position beginning of war partly accounted for by earlier failure join with democracies and Norway must avoid this mistake in future planning. I told him it was refreshing and encouraging to hear this frank statement and will keenly watch for its activation.

Sent Department 62, repeated London as 1, Paris 4 and airmailed Moscow, Copenhagen, Stockholm.

BAY

¹ Not printed.

840.00/2-748

Memorandum of Conversation, by the Director of the Office of European Affairs (Hickerson)

TOP SECRET

[WASHINGTON,] February 7, 1948.

Participants: The British Ambassador, Lord Inverchapel
Mr. Lovett
Mr. Hickerson

The British Ambassador, Lord Inverchapel, came in to see Mr. Lovett by appointment made at the Ambassador's request at 11 a. m. today to discuss his letter of February 6, 1948 (a copy of which is attached)¹ in regard to Mr. Bevin's proposals for a Western Union.

¹ *Ante*, p. 19.

Mr. Lovett went over the Ambassador's letter of February 6 paragraph by paragraph and discussed the subject of Mr. Bevin's proposals along the following line:

Mr. Lovett said that Congress is now considering the European Recovery Program. This Program developed from an initiative taken in Europe in response to Secretary Marshall's Harvard speech of June 5th last. The European Recovery Program will involve the undertaking by the United States of vast economic burdens to help the free countries of Europe get on their feet economically and achieve political stability. It is an economic program with no new military commitments on the part of the United States. Mr. Bevin's proposals, as set forth in the Ambassador's two last letters to Mr. Lovett, envisage the assumption by the United States of new military and political commitments at a crucial stage in the discussions in Congress of the European Recovery Program. If it became known in Congress that in addition to the economic commitments involved in the European Recovery Program the United States is asked to assume new and extensive military and political commitments it might well adversely affect the prospects for the approval by Congress of the European Recovery Program.

Moreover, Mr. Lovett stated, the United States Government does not have any very clear picture of exactly what Mr. Bevin's proposals for a Western Union really are. The only information which we have is the brief summary of Mr. Bevin's views in very general terms transmitted to the Secretary one week before Mr. Bevin's speech of January 22nd. "You are in effect asking us to pour concrete before we see the blueprints", said Mr. Lovett.

Mr. Lovett went on to say that on page two of the Ambassador's letter of February 6th it is stated that the British and French Governments have proposed Dunkirk Treaties to the Netherlands and Belgian Governments "with Mr. Marshall's approval". He pointed out that this statement is not correct. He said that Secretary Marshall's letter to the Ambassador prior to Mr. Bevin's January 22nd speech was a warm endorsement of the general idea of a Western Union but did not go into the matter of the specific measures suggested by Mr. Bevin for bringing this about. Indeed, he added, in a conversation with the Ambassador the day following the delivery of the Secretary's letter to him, Mr. Hickerson had, with Mr. Lovett's approval, a long talk with the Ambassador in which he expressed considerable doubt about the adequacy and suitability of treaties along the lines of the Dunkirk Treaty as a first step toward achieving a Western Union.

Mr. Lovett said that in all these circumstances he had written the Ambassador on February 2nd expressing the view that it would not

be possible for the United States to undertake the conversations in Washington suggested by Mr. Bevin prior to the conversations with the French concerning Germany which are to start in London February 19th. He said that the Secretary had endorsed the general idea of a Western Union as set forth in Mr. Bevin's speech of January 22nd and is anxious, as we have already informed the British, to do everything we appropriately can to assist in bringing this about. The Secretary feels, however, that it is very important that the initiative in this matter remain in Europe, as in the case of the initiative in connection with the European Recovery Program. The Secretary wants the United States to be of such assistance as it can in furthering the development of a Union of the Free States of Western Europe but the plain fact is that the United States Government does not now have enough information to enable it to determine how it can best be helpful in this matter.

Lord Inverchapel expressed his appreciation of Mr. Lovett's frank comments. He said that he would regard this conversation as an answer to his letter of February 6, 1948, and that for the present he would not expect any written reply. Lord Inverchapel stated that while we can not comment definitely until we receive further information, he was proceeding on the assumption that the United States Government would probably be disposed to look with favor on a regional treaty under Article 52 of the Charter along the general lines of the Treaty of Rio de Janeiro.

JOHN HICKERSON

758.00/2-1648 : Telegram

The Ambassador in Sweden (Matthews) to the Secretary of State

SECRET

STOCKHOLM, February 16, 1948—4 p. m.

204. I have endeavored to inform Department in various telegrams of Swedish policy and probable future attitude in light of world situation today. I have now drawn up a twelve-point summary of "basic fallacies of Swedish thinking" which may be useful to Department in appraising Swedish reaction to ERP western union and any future international crises. Following several centuries of war the first Bernadotte laid down the keynote of Swedish policy in 1818 which is as basic today in its narrowest sense as it was when issued in the minds of the Swedish people regardless of the change in conditions of modern warfare. He said: "separated as we are from the rest of Europe our policy and our interests will always lead us to refrain from involving ourselves in any dispute which does not concern the two Scandinavian peoples".

The twelve fallacies as I see them follow :

1. Sweden may well keep out of a third war if it comes. Both sides may find Sweden's neutrality advantageous.

2. Therefore, Sweden must take no step now which might lessen its chances of avoiding future war.

3. Any steps toward west in political or military field now will incur future Soviet ire and suspicion and therefore lessen Sweden's chances of avoiding involvement in war. Present political "neutrality" may keep Sweden out.

4. If there is no war and great powers compose their future differences Sweden will be left in isolation to incur Soviet reprisals for any present leaning to west. (Look what great power "deals" did to Czechoslovakia and Poland in 1939.)

5. In last weeks before war Sweden will have ample opportunity to determine policy, i.e. to side with the west or neutrality. Therefore, time is not ripe to choose now.

6. Sweden's association with the west now may bring disastrous Soviet occupation of kindred buffer state Finland.

7. Any possible moral obligation to join other free nations to use moral influence to oppose Soviet expansion is subordinate to Swedish self-preservation through neutrality.

8. Moral influence of world opinion does not change Soviet policies anyway.

9. There is no danger that the west will resent Swedish neutrality and therefore leave Sweden to her fate. It is the devil (Russia) that must be appeased.

10. Because of geographical position Sweden is more vulnerable than west Europe, i.e. a Maginot line psychology in reverse without conception of modern warfare.

11. Even if "neutrality" is not the wisest policy there must be no agitation against it for this would split the Swedish nation and internal unity in these times must be preserved at all cost.

12. The east bloc stands for communism; the west bloc may be dominated by "capitalist reaction". Sweden (Social Democratic majority) must pursue a middle course.

While the pressure of events may modify some of the above, Swedish evolution will at best be slow. I am of course doing my best to hasten the process of education.

Sent Department 204; repeated Paris 67, London 77, Moscow by mail.

MATTHEWS

857.20/2-1948: Telegram

The Ambassador in Norway (Bay) to the Secretary of State

SECRET

OSLO, February 19, 1948—3 p. m.

88. Embtel 45, January 30¹. Defense Minister Hauge requested Naval and Air Attachés to call his office February 17 and as in his

¹ Not printed.

recent conversation with Military Attaché raised numerous questions re possibilities and probable character of American assistance to Norway in case of war. With special reference to Finletter report to President on aviation policy² he asked what place Norway might have in American air strategy, what aid might be expected in early stages of war, and whether, where, and at what stages in such emergency US would want to establish air, sea and land bases in Norway. He placed considerable emphasis on Norway's role in guided missile warfare. Hauge gave definite impression he hoped obtain some form of American commitment to aid Norway should war occur.

Although discussions lasted almost two hours NA and MAA indicated they had no special knowledge of proposed American strategy this area in event of war and no authority to discuss subject officially, their comment representing only their personal views. See MAA's secret R 4748, February 19 and NA's report S7-48, February 19.³

These conversations with Embassy's three service attachés on Defense Minister's initiative represent new departure as he has not previously broached similar subjects with them nor, it is believed, with British. Embassy attributes motives for this move on his part to (1) westward trend in Norwegian foreign policy during past eight months which gained marked momentum following breakdown London CFM Conference; (2) recent increased awareness in Foreign Office and other governmental circles of pitiful state of Norway defenses and stress laid on military preparedness in Storting debate on foreign policy last week when Prime Minister⁴ agreed to proposal for joint party discussion of defense matters (Embteils 76 and 81, February 12 and 17⁵); (3) growing recognition that Norway must ultimately turn to US for military equipment and supplies as well as military guidance and counsel; and (4) Hauge's realization that he is object of considerable dissatisfaction and criticism (Embassy despatch 26, January 14⁵) and that in order save his job he must make impressive efforts to acquit himself as Defense Minister.

Embassy has not been able determine whether Hauge is speaking on own account or with knowledge or instructions of government as whole, but believes his overtures reflect new spirit in Norwegian foreign policy and would, if known, be favorably regarded in most Nor-

² *Survival in the Air Age*, A Report by the President's Air Policy Commission, January 1, 1948, released by the President January 16, 1948. Thomas K. Finletter was Chairman of the Commission.

³ Neither printed.

⁴ Einar Gerhardsen.

⁵ Not printed.

wegian quarters, particularly among senior military naval and air officers.

Military, Naval and Air Attachés believe, and I concur, that it would be helpful and desirable for them to have specific instructions as to general attitude they should take in any future discussions of this kind, and guidance re nature of replies they should make to further questions. Even if instructions should have to be made mainly negative, Embassy believes they should take cognizance of desirability of avoiding any discouragement to present westward trend Norwegian policies and reflect full appreciation of legitimacy Norwegian desire to ascertain how country's defense measures may best be coordinated with American concept of Norway's role in event of war. It is suggested Department may wish to confer with other departments concerned on formulation such instructions and advise Embassy accordingly.

Pass to War, Navy, Air.

BAY

840.00/2-1948: Telegram

The Ambassador in France (Caffery) to the Secretary of State

[Extract]

TOP SECRET

US URGENT

PARIS, February 19, 1948—6 p. m.

919. There follows verbatim text of Benelux note being given French (and presumably British) Governments today.¹

“I. The Governments of Belgium, Luxembourg and the Netherlands have examined the British and French proposals of which Mr. Bevin, the Foreign Secretary, constituted himself the interpreter, on January 22 last, in his address in the House of Commons on the subject of the union and the consolidation of Western Europe.

“The three Governments have received these proposals with great sympathy. In fact, they view with particular satisfaction all efforts towards the consolidation of peace, the reinforcement of the security of the countries of Western Europe and the strengthening of the bonds which already unite them, and they are prepared to make an effective contribution thereto.

“II. The three Governments realize that full accomplishment of these aims will require a considerable work of planning. They wish

¹ The American Chargé in Belgium, Millard, informed the Department in his telegram 371, February 19, not printed, that Spaak had given copies of the Benelux note to the British and French on receipt of their proposal (840.00/2-1948).

to participate in that work collectively. Therefore, they intend to be represented in the negotiations by a joint delegation, made up of representatives of the three countries. These negotiations should lead to the conclusion of a treaty between the United Kingdom, France, Belgium, Luxembourg and the Netherlands, which would be signed by the representatives of each of those Governments.

“III. The three Governments have decided on the broad outline of their joint attitude with respect to certain of the basic problems raised by the Franco-British proposals, and they consider it advisable to inform the British and French Government thereof.

“In the first place, it does not seem to them sufficient to take as a model the Treaty of Alliance and Mutual Assistance between Great Britain and France signed on May [*March*] 4, 1947 (Dunkerque Agreement). In fact, that Agreement contemplates basically mutual assistance in case of armed aggression by Germany or in case of hostilities resulting from concerted action to put an end to the threat constituted by the resumption of a policy of aggression by that country. Now, these hypotheses no longer fully correspond to the realities to which the British Foreign Secretary has alluded.

“That is why the three Governments believe that an agreement modeled on the Dunkerque Agreement would constitute an inadequate basis for the achievement of the aims to be reached. The pursuit of these aims leads, rather, in their opinion, to envisaging a regional organization of Western Europe under the United Nations Charter.

“IV. Not only does this solution have the advantage of being based on a general treaty to which all the principal Powers of the world are parties but it also presents, thanks to the provisions of Articles 51, 52 and 53 of the Charter, all the necessary scope and flexibility. Article 51 permits the organization of legitimate collective defense of the members of the group in case of armed aggression against one of them. Article 52 sanctions regional agreements or bodies intended to settle matters which, affecting the maintenance of international peace and security, lend themselves to action of a regional character encouraging peaceful settlements through such agreements or bodies. Article 53 provides for their use in the application of enforcement measures. These latter require prior authorization by the Security Council, unless they are directed against the resumption by an enemy State of a policy of aggression.

“A regional organization which strengthens the ties uniting its members, therefore, not only can ensure peace and security within the group but can also guarantee the security of the group with respect to the outside.

"This solution has the advantage of permitting, under the United Nations, the achievement of the various ends which form the basis of the Franco-British proposals.

"V. There are, to be sure, among these aims some which appear attainable at this time and others which can be attained only gradually.

"Among the objective[s] which may be achieved immediately, we should envisage first of all an agreement on the political level, consisting in a promise of mutual assistance.

"A. By recognizing that the security of each of the members of the regional group concerns that of all, we can lay the foundation for a possible collective application of Article 51 of the Charter. On this point, the Inter-American Treaty of Mutual Assistance concluded at Rio on September 2, 1947 established the principles in Article 3, paragraph 1, that an armed attack by any State against an American State will be considered as an attack against all the American States, and that, consequently, all the contracting parties undertake to oppose the attack in virtue of the right of individual or collective self-defence recognized by Article 51 of the United Nations Charter.

"In the opinion of the three Governments, this mutual aid in case of armed aggression, authorized by Article 51, must be automatic and immediate.

"B. In addition, the agreement should provide for concerted action in case of resumption of a policy of aggression on the part of Germany or of any State acting directly or indirectly with that country. It should ensure the automatic launching of mutual aid in case such concerted action should involve any one of the contracting parties in hostilities with Germany or with any State joining in her action directly or indirectly.

"C. Lastly, any action or any situation constituting a threat to the peace or security of Western Europe should immediately give rise to consultations with a view to averting it by mutual agreement. A system of regular and periodic consultations on all problems of common interest should also be instituted. Such a system becomes necessary as soon as mutual aid is made the rule. However, the three Governments do not believe that they should propose the procedure for such consultations at this time. This is the substance of the principal provisions which should comprise the political agreement to be concluded.

"The three Governments cannot conceive of a regional organization of Western Europe without their taking part in working out the policies to be followed and the measures to be taken with respect to Germany.

"VI. The political agreement which has just been considered ought to be supplemented, if it is to have full value, by military agreements on the one hand and by economic agreements on the other hand.

"VII. The military agreements govern the implementation of the political agreement. The three Governments do not intend to go into

the details with respect to what such military agreements should contain. That question should be studied directly by the general staffs of the countries concerned.

"VIII. The three Governments deem it indispensable to cement any agreement of a political character by agreements of an economic nature. In this connection, the ultimate goal for which the regional group should strive is full economic and customs union. If the three Governments consider that such a union cannot be achieved immediately, they nevertheless consider it essential immediately to make the economic policies of the members of the group convergent and to take all possible measures for increasing the prosperity and ensuring the economic security of the group. In view of the importance attached by the three Governments to giving a solid economic basis to the regional group, they think that an early conference of its members should study the measures of coordination to be taken, in particular the establishment of permanent organization permitting continuing consultation to be held on all questions connected with their economic relations, in the study of which consideration would be given to the resources of their over-seas territories.

"IX. The proposals of the British and French Governments discussed in the address of the British Foreign Secretary have brought forth a great hope, which it is important not to disappoint. The idea of a strong Western Europe to ensure peace, but without cherishing any aggressive thought against anyone, is an idea which opens up a way full of promise."

CAFFERY

840.00/2-2248 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, February 22, 1948—4 p. m.

980. Bidault says he talked today to the Belgian Ambassador about the projected western union. Baron Guillaume¹ said Spaak doesn't like the Dunkirk Treaty approach but wants something along the lines of the Benelux proposals (my 919 February 19). Bidault told him he is more than willing to sign a secret military alliance with concrete promises on all sides for immediate action in any eventuality with Great Britain and the Benelux countries if the United States is associated in some form with them, but he is afraid of a "high sounding treaty" with nothing effective behind it.

¹ Jules Guillaume, Belgian Ambassador to France.

In this connection he invited my attention to Article 2 of the treaty signed between the Soviet Union and Hungary on February 18.²

In regard to a customs union (which Bidault wants) Guillaume said that the time was not ripe but perhaps something could be done along "general economic lines".

Guillaume added the British seem in no hurry to reach accords in the direction of a military alliance.

Sent Department as 980, repeated London as 103, Brussels as 21.

CAFFERY

² For text of treaty, signed in Moscow, see Department of State *Documents and State Papers*, July 1948, p. 235.

840.50 Recovery/2-2548 : Telegram

The Ambassador in Norway (Bay) to the Secretary of State

SECRET

OSLO, February 25, 1948—10 p. m.

100. Foreign Office Secretary General Andvord gave Embassy officer following information this morning regarding conference Scandinavian Foreign Ministers Oslo February 23-24 (Embtel 97, February 24).¹

1. Whereas four Scandinavian countries were in close accord on economic questions, common viewpoints on political matters were more difficult to achieve and Norway stood alone on political issues discussed. (Andvord tended to omit Iceland in his comments but made general remark that "Icelandic Minister backed us upon all political issues".)

2. With reference endorsement Marshall Plan in communiqué all representatives agreed give fullest support ERP and recognized its importance to recovery and peace prospects. Representatives wished make endorsement even stronger in communiqué but drafting efforts failed find suitable language.

3. All representatives were convinced of desirability of implementing previous proposals for joint economic cooperation committee. Norwegian representatives on committee will be named in near future. General opinion prevailed greatly increased economic cooperation not only desirable but also possible without arousing Soviet susceptibilities.

4. Attitude meeting re Scandinavian or larger regional customs union remains cautious, Norway in particular fearing Danish agricultural produce and Swedish industrial goods. Establishment uniform Nordic customs tariff is considered first of many necessary steps

¹ Not printed. The conference was attended by the Foreign Ministers and Trade Ministers of Denmark, Iceland, Norway, and Sweden.

toward customs union actual realization of which lies many years in future. Rasmussen² urged Norwegians and Swedes send representatives rather than observers to Brussels customs union discussions. Norway now inclines believe it should like Denmark appoint representative and may do so in early future, but Sweden seems content with observer for present although later nomination of representative not impossible.

5. Norwegians (backed by Icelanders) had hard time endeavoring persuade Swedes and Danes to modify their neutrality stand. Norwegian representatives who advocated more positive foreign policy and more definite alignment with west were "astonished" at tenacity with which not only Swedes but also Danes clung to idea of neutrality and desire to avoid any action or attitude which might involve Scandinavian countries in east-west struggle. Soviet reaction in Finland exercised considerable but not decisive influence on Swedish attitude: Undén³ also tried argue that since US is having difficulties with Soviet Russia in many spots in world, American interests would be best served by avoiding Soviet hostility in Scandinavian area. Andvord remarked: "Rasmussen seemed to soften a bit when we had him alone last night but when Undén is sitting there it is hopeless."

6. Bevin plan was discussed but no definite action taken or agreed attitude reached. All representatives, including Norwegians who were most favourably disposed, were dubious regarding exact direction Bevin plan might take and where direct participation might lead them pointing out possible steps as first political understanding, then defense commitment, next military consultations, and finally questions of military and air bases for US and Great Britain without any assurance how promptly and effectively those countries could provide adequate assistance. Andvord remarked that Norway might nevertheless eventually be disposed to go along. Scandinavian countries now disposed maintain attitude watchful waiting with continuing deliberation and speculation as to role they may play in eventual evolution of Bevin proposal.

7. Conference agreed relations of Scandinavian countries with Franco Spain should tend toward normalization, particularly in economic field. Swedes and Danes argue that it is illogical for Scandinavian countries to maintain wholly antagonistic attitude to Franco when he is outstanding fighter against communism their own enemy. Norwegian representatives did not wholly accept this argument as Norway is strongly antagonistic to Franco regime but Norwegian Government contemplates further possible steps in normalization of

² Gustav Rasmussen, Foreign Minister of Denmark.

³ Östen Undén, Minister for Foreign Affairs, Sweden.

trade relations with Spain. No change in diplomatic relations is expected. Andvord's information regarding differences of opinion on political issues was given in strictest confidence and he particularly requested it be handled accordingly in view of unfortunate consequences in case Swedes or Danes should learn tenor his remarks.

Sent Department as 100; repeated Stockholm as 9, Copenhagen 17. Airmailed London, Paris, Moscow.

BAY

860F.00/2-2648 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET NIACT
US URGENT

LONDON, February 26, 1948—4 p. m.

755. For Lovett's eyes only from Douglas.

1. In a long conversation yesterday with Bevin, he, as you know, expressed approval to the issuance of the joint US-UK-French statement¹ on Czechoslovakia. He thinks, however, that this is not enough, and is greatly concerned about what he calls the extension of dictatorship which he now substitutes for the word communism, for he believes that the word dictatorship graphically defines the distinction between liberty and tyranny.

He is particularly apprehensive about France and Italy, the latter at the moment being a more critical point. About the former, however, he is still fearful that the CGT demand for an increase in wages may produce at least an interference with the industrial activities of France and at most internal strife. Also, he is not without his worries over possible insinuation of councils for action in, and subsequent disturbances in, Germany.

2. He hopes the following steps will be taken :

(a) The meeting of the trade unions group participating countries exclusive of CGT in France, during the early part of March. At this meeting he hopes that solidarity among the trade union groups of Western Europe will emerge. This, he thinks, is of some significance, in view of the Soviet and Communist techniques which have proved to be so successful ; that is to say, the councils for action in workshops which form armed cadres for subsequent *coups d'état*.

(b) He is meeting with the chairman of the Committee on International Affairs of the Parliamentary Labor Party in an effort to persuade him and his committee to ostracize Nenni and his party in Italy from the group of acknowledged Social Democrats in Western

¹ For text, see vol. iv, editorial note, p. 738.

Europe, and to endorse Saragat and his right-wing Socialist Party, which has lined itself up with De Gasperi as the authentic choice of Social Democracy in Italy.

3. But these steps, Bevin feels, however useful they may be, are, on the whole, rather feeble measures when compared with the positive action and aggressive intrigues of the Soviet and their ability to apply coercive pressure. He, therefore, puts forward personally the thought which he has not cleared with his Cabinet, that there should be held, very privately, either in Washington or at some point in Europe, consultations between the UK, France, Italy, and the Benelux countries for the purpose of exploring what steps all may take collectively, or in groups, to prevent the extension of the area of dictatorship. He tentatively thinks that there should be:

(a) Representatives of the civil establishment of each government, and perhaps one or two representing the armed forces. He believes Washington, on the whole, might be preferable, because the consultations which he has in mind could be held there with less risk of publicity than in any capital of the continent.

(b) Bevin is not, however, prepared to put forward this idea until he has had our response.

(c) He thought, tentatively, that the Scandinavian countries should not be included, for he felt that they were too vulnerable to at least Soviet economic retaliation.

4. I could not determine whether Bevin made this suggestion as a slanting effort to entangle us at the moment in European quasi-military alliances or agreements, but I rather doubt that this was his motive, for he indicated that the measures to prevent the success of the subtle sort of aggression which has taken place all over Europe would vary as between each country.

5. In discussing the whole situation, he told me that HMG would not reduce their armed forces any further than they had previously planned. Whereas several months ago from all sides the government was being criticized for failure to shrink its defense establishments, today the government would be severely criticized from all sides were they further to contract their military, naval, and air forces.

DOUGLAS

840.00/2-2248 : Telegram

The Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, February 27, 1948—4 p. m.

615. In connection Bidault's reference to some form of US association with Anglo-French-Benelux group (Embtel 980, Feb 22) see

topsec letter Hickerson to Caffery, Feb 10,¹ and particularly enclosures 5, 9 and 10. We would now like you to convey our views to Bidault along following lines:

We have made clear privately and publicly our hearty support for Bevin's idea of closer association of western European countries in political, military and economic fields. As was case with ERP initiation and development of western European security program is responsibility of western European Govts. We have considerable doubt that treaties along Dunkirk model would be either adequate or suitable as basis. Benelux notes of Feb 19 seem to us to offer sound basis for such program, a basis much more realistic than Dunkirk approach. We agree with Spaak's views as indicated Brussels 371. Feb 19.¹

This country has heartily welcomed Bevin's initiative to mobilize moral and material forces of free peoples of western Europe to maintain their moral and physical independence. We should not be asked to consider associating ourselves with such program until picture of what western European Govts themselves are going to do about it is much clearer. Recovery and security are obviously interrelated.

As regards security against Germany we consider four-power formula practically dead but we will continue to seek in association with French, British and Benelux appropriate means of preventing western European security again being threatened by Germany. We recognize French public desire for something directed explicitly against Germany but feel Benelux formula including Article 53 and explicit mention of Germany should meet it.²

Sent Paris as 615; repton London for Ambassador and Reber to indicate to British our views on Benelux formula as 673; and Brussels as 284.

MARSHALL

¹ Not printed.

² In response to an inquiry from the Netherlands Embassy for the Department's views on Bevin's proposal for a Western Union, Hickerson communicated to it the substance of this telegram 615 (840.00/3-248).

840.00/3-248 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, March 2, 1948—1 p. m.

1110. Bidault says that in view of recent events (Deptel 615, February 27) he has changed his point of view about treaties along the Dunkirk model and at this juncture is not particularly concerned about sticking to that formula. He is vitally interested in the "con-

tenu" of the treaties. In other words, what he really wants more than anything else, is a concrete military alliance (against Soviet attack) with definite promises to do definite things under certain circumstances. He does want explicit mention of Germany in some way purely for domestic political reasons. The French public would expect that, not only expect it but would attack him, if he left it out.

Bidault told me he is now writing a letter to Secretary Marshall on the whole subject.

CAFFERY

840.00/3-348 : Telegram

The Secretary of State to the Embassy in Belgium

TOP SECRET US URGENT WASHINGTON, March 3, 1948—6 p. m.

313. In connection current Western Union talks ¹ we would be much interested in learning views of participating govts on (1) possibility of including Italy in immediate future and (2) how they contemplate meeting problem of fifth column aggression on Czech model.²

Sent Brussels; repton Lond as 734, Paris as 680 and The Hague as 86.

MARSHALL

¹ The Benelux Prime Ministers assembled in Brussels on February 29 and were joined on March 4 by representatives of France and Great Britain.

² Bidault remarked in connection with the first point: "I have no objection." (Telegram 1160, March 4, from Paris, not printed: 840.00/3-448.) Van Boetzelaer informed the American Ambassador in the Netherlands, Herman B. Baruch, that he would like to see included in the Western Union all those nations which held the same views of democracy, west of the Iron Curtain. He said further that he did not consider fifth column infiltration a serious danger in the Netherlands, but that the country was prepared to meet any such occurrence forcefully with all means at its disposal. (Telegram 148, March 4, from The Hague, not printed: 840.00/3-448.) The Foreign Office in London informed Douglas that it was urgently considering both points but as yet had no definitive views. (Telegram 886, March 5, from London, not printed: 840.00/3-548.)

840.00/3-448 : Telegram

The Chargé in Belgium (Millard) to the Secretary of State

SECRET BRUSSELS, March 4, 1948—9 p. m.

451. ReEmbtel 442, March 2. Re Western Union: Informal preliminary Benelux draft presented French, British Ambassadors opening session follows:

"*Preamble*: Decided cooperate closely on regional basis for realization aims defined charter in conformity Articles 52, 53, 54; resolved accord mutual assistance in exercise natural and legitimate defense

conformity Article 51. Resolved notably forestall any resumption German aggressive policy; considering UK-USSR Treaty May 26, 1942¹ and French-USSR Treaty December 10, 1944,² have decided conclude treaty to this effect etc.

Article 1. Contracting parties will do utmost realize convergence their economic policies and take all other steps view increase economic prosperity assure social security and thereby contribute more effectively mission UN assigned them in these domains. Therefore, agree consult with view according reciprocal aid and conciliate economic interests, intend thus bring effective contribution to work of European economic reconstruction. They will constitute without delay bring about economic cooperation among themselves simultaneously with economic cooperation other nations appropriate permanent organizations.

In framework international obligations will facilitate by all appropriate means commercial exchanges with overseas territories bound to them with specialties.

Article 2. Parties will consult periodically all problems common interest and at request of one [of] them on any situation threatening peace.

Article 3. In case one party might be engaged hostilities directed either against its homeland or against occupation troops Germany following armed aggression against it, parties using right legitimate collective defense recognized Article 51, will at its request, come immediately to its aid and will offer all possible assistance military or otherwise.

Article 4. In case one of parties becomes engaged outside of its homeland or occupation zone Germany hostilities to repulse aggression, it can invite other parties determine what measures compatible with charter might be taken aid or assistance.

Article 5. Parties recognize as obligatory their mutual contracts and during present treaty jurisdiction International Court Justice over all differences mentioned Article 36, paragraph 2 its Statute.

Foregoing does not prejudice special agreements instituting other procedure for peaceful settlement.

Parties agree submit to procedure conciliation all differences other than those referred Article 36, paragraph 2 [2]".

In giving foregoing Loridan³ stated it appeared well received by British-French Ambassadors who, however, unable express reaction

¹ For documentation on the conversations leading to the conclusion of this treaty of alliance and mutual assistance, see *Foreign Relations*, 1942, vol. III, pp. 490-566, *passim*.

² For text of this treaty of alliance and mutual assistance, see Department of State *Bulletin*, January 7, 1945, p. 39.

³ Walter Loridan, Director of Offices, Belgian Ministry of Foreign Affairs.

due absence Jebb ⁴ who delayed England due bad weather only arriving Brussels tomorrow with British-French drafts which he and French foreign officials have been preparing.

Next session Friday p. m. talks probably continue into weekend. Loridan appears optimistic and satisfied with today's session.

Subsequently saw Spaak who shared Loridan's views, remarked if foregoing draft should offend French Benelux has another specifically mentioning Germany.

Sent Department 451, repeated Paris 40, London 48, The Hague 32.

MILLARD

⁴ Gladwyn Jebb, British Assistant Under-Secretary of State, Superintending Under-Secretary for the United Nations Political Department.

840.00/3-448 : Telegram

The Chargé in Belgium (Millard) to the Secretary of State

TOP SECRET

BRUSSELS, March 4, 1948—10 p. m.

452. Have just conveyed to Spaak questions contained in Deptel 313, March 3. As regards (1) his first reply was that if as he hoped there would be satisfactory progress on economic problems resulting from present five power talks, he proposed that an economic conference be held to which Italy could be invited. As to including Italy in the western union, his first reaction was that we should wait until after Italian elections. I said my impression was that Department was posing the question of whether steps should not be taken before elections in order to strengthen the Italian Government's hand and pointed out that Department referred to "immediate future". Spaak said before giving an opinion one would have to know whether Italy wanted to take such a step. It might conceivably be that Italian Government would feel this would have adverse effect on elections. He could not himself weigh this point. As to including Italy in due course, perceived no objection. Of course should a Communist majority be returned in Italy, French flank would be turned and whole western union would be jeopardized.¹ I could not get him to give more precise reply.

As regards (2) he said the question does not arise in any of the five countries except France. In his opinion it would be a mistake express in connection with the western union talks anti-Communist feeling which he himself heartily shared. He left me to understand that if

¹ For documentation on the concern expressed by the United States over a possible Communist victory in the projected elections of April 18-19, and United States support of the democratic non-Communist elements during the pre-election period, see pp. 816, *passim*.

such a danger exists, it was a problem which France will have to meet.
Sent Department 452; repeated London 49, Paris 41, Hague 33.

MILLARD

Editorial Note

On March 4 the French Foreign Minister, Georges Bidault, handed to Ambassador Caffery a message for Secretary of State Marshall. It referred to recent developments in central and Eastern Europe; pointed out the necessity to avoid repetition in Austria, Italy, or elsewhere of the events that had just taken place in Prague; noted the beneficial results already achieved through American efforts for the economic reconstruction of Europe; and stated that the time had come to apply similar efforts in the political and military fields as well. Mr. Bidault, who asked the Secretary of State to bring his message to the attention of President Truman, ended by proposing that the Governments of France, the United States, and the United Kingdom enter promptly into political consultations. (Telegram 1158 from Paris, March 4, FW 840.20/3-448) On March 6 the Secretary instructed Caffery to inform Bidault that the message was receiving the President's closest attention. (Telegram 719 to Paris, not printed)

840.00/3-448 : Telegram

The Chargé in Belgium (Millard) to the Secretary of State

SECRET

BRUSSELS, March 4, 1948—midnight.

454. Re western European union Spaak yesterday mentioned Bidault change described information telegram March 3.¹ He thought our influence had done trick, greatly appreciated it. I said was sure Department equally glad results and its action showed how much it appreciated and valued Spaak's views, etc. Spaak exceptionally gratified and appeared enjoy exchange bouquets with Department. He did remark that he wanted treaty which had our fullest sympathy which he hoped would facilitate our future collaboration. He made no further comment but I have feeling he may have used this thought with French and British.

Sent Department 454, repeated London 50, Paris 43, Hague 34.

MILLARD

¹ Reference here is presumably to telegram 847 from London, repeated as telegram 32 to Brussels, which stated that the British and French had each prepared alternate drafts of a Western Union pact modeled more on the Rio than the Dunkirk treaty (telegram 847, not printed: 840.00/3-348).

840.00/3-848 : Telegram

The Chargé in Belgium (Millard) to the Secretary of State

SECRET

BRUSSELS, March 8, 1948—11 p. m.

477. Re Western Union Rendel¹ informs me at present he sees following three major difficulties.

1. Germany: Benelux did not want anything in proposed draft regarding it along lines Dunkirk formula. Rendel thinks they would welcome a "regenerated" Germany in commonwealth of nations. French disagreed on both points and have cabled Paris for instructions. Rendel thinks French may omit mention of regenerated Germany and cut out paragraph in Anglo-French draft along lines of Dunkirk. To endeavor to bring compromise between French and Benelux; to lay foundation new economic system in west to include Germany; and in order to cover consultation in case revival threat from Germany, British have submitted following Foreign Office London for approval: "The high contracting parties will at the request of one of them, consult with regard to any matter raising an important question of policy to be adopted towards Germany in order so far as possible to harmonize their views".

2. Second difficulty: Benelux insistence second point Embtel 473, March 8.² Dutch state treaty containing Anglo-French provision would not gain Parliamentary approval. French Ambassador suggested geographic position of attacking power be determining factor, not place of attack.

3. Third difficulty: Benelux desire create five-power economic organization. Bevin has insisted this would injure 16-power economic cooperation which he is determined to make dominant and wishes to make permanent. Rendel has recommended to Foreign Office London that this is less important to Britain than the other clauses and that it should not be made sine qua non. Rendel thinks meeting of five in addition to ECE (Economic Commission for Europe) and CEEC (Conference of European Economic Cooperation) would be at most potential nuisance and as there are bound to be talks behind the scenes at 16 meeting, this would merely give official recognition to such talks.

Sent Department 477, repeated London 58, Paris 51, Hague 41.

MILLARD

¹ Sir George W. Rendel, British Ambassador in Belgium.

² Reference here is to Millard's report of a proposal by Great Britain and France to extend the requirements of mutual aid to include aggression committed against the signatories' troops or possessions throughout the world. Telegram 473 from Brussels, not printed: 840.00/3-848.

840.20/3-848

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Secretary of State*

TOP SECRET

[WASHINGTON,] March 8, 1948.

The Problem.

How this Government can effectively assist, apart from ERP, in stopping further expansion of the area of Communist dictatorship in Europe.

Discussion.

The existing situation in Europe contains two dangers: (1) that the Soviet Government underestimates the present temper of Congress and the American people and may accordingly push its expansionist tactics beyond the point of forceful American reaction, and (2) that too many people in the remaining free countries will be intimidated by the Soviet colossus and the absence of tangible American support to the point of losing their will to resist. Concrete evidence of American determination to resist further Communist encroachment would go far to reduce both dangers.

Assuming that the Soviet Government has no present desire for war, it appears to be counting on the slowness and uncertainty of American reaction, particularly during an election year, to extend its area of control as far and perhaps as fast as possible before meeting serious resistance. The greatest present danger lies in the Soviet Government mistakenly believing that it could safely take some particular action which in fact this country would not stand. An empty bluff on our part or failure to make clear the extent of this country's determination would be equally culpable and dangerous.

The easy success of the Communists in Czechoslovakia and the probable outcome of the Finnish crisis, while opening some eyes to the dangers of any dealings with the Communists, have created widespread fear and a certain bandwagon psychology, particularly in the crucial non-Communist left. Italy, with its impending elections, is the critical spot at the moment, but French stability is far from assured and the country is now in a highly nervous state. The same is true of Austria. A general stiffening of morale in free Europe is needed, and it can come only from action by this country.

The problem at present is less one of defense against overt foreign aggression than against internal fifth-column aggression supported by the threat of external force, on the Czech model. An essential element in combatting it is to convince non-Communist elements that friendly external force comparable to the threatening external source

is available. Absence of any sign of friendly external force was undoubtedly a major factor in the limp Czech collapse. Willingness to fight for liberty is closely related to the strength of the help available.

Bevin has recognized our difficulty in committing United States forces in advance to operate in Europe but believes that, if the United States were able to enter with Great Britain into a general commitment to go to war with an aggressor, potential victims would feel sufficiently reassured to refuse to embark on a fatal policy of appeasement.

No security arrangement for Europe can be effective unless the free European governments and peoples are prepared to pool their resources and to resist by every means at their disposal, including armed force, any threat to the independence of any member whether from within or without. A substantial start is being made in the present Anglo-French-Benelux negotiations. On the other hand, the willingness of this Government to participate in or support such an arrangement is essential to its success and will enormously increase European confidence that it is possible to prevent extension of the area of dictatorship and worthwhile to fight if necessary to prevent it.

It is realized that the state of United States defenses severely limits our immediate military capabilities. It is believed, however, that steps along the lines recommended below would help to crystallize public opinion in support of UMT and facilitate further action to strengthen our military forces.

Recommendations.

That the Secretary ask the President immediately to confer first with the National Security Council and then with Congressional leaders on the steps this Government can take to check the further spread of Communist dictatorship by contributing to the security and confidence of free European nations. Consideration of this subject would include:

(1) The magnitude and nature of the military commitments this Government is in a position to assume with respect to Europe;

(2) What steps we can take to deter further fifth-column aggression on the Czech model, including a possible public declaration that this Government considers that any further suppression of free countries in Europe would be a direct threat to its own security and that it is accordingly prepared to cooperate with such free European governments as demonstrate their determination to act in the common defense, in utilizing every means at its disposal, including armed force, to prevent further Communist expansion and to this end to maintain continuous consultation with such Governments on the measures to be taken;

(3) The possibility of U.S. participation in a NorthAtlantic-Mediterranean regional defense arrangement based on Articles 51 and 52 of the United Nations Charter and including initially Great Britain, France, Benelux and Italy.

(4) Advising Bevin and Bidault that if they really mean business the Secretary would be glad to consult with them, and perhaps with Sforza¹ and a Benelux representative, either in Washington or in Europe immediately after the March 15 CEEC meeting.

(5) The necessity of keeping a security program separate from, although parallel and related to, ERP to avoid driving the Scandinavians, Swiss and possibly others out of ERP.

¹ Count Sforza, Italian Minister of Foreign Affairs.

840.00/3-1048 : Telegram

The Chargé in Belgium (Millard) to the Secretary of State

SECRET

BRUSSELS, March 10, 1948—10 p. m.

496. ReEmbtel 486, March 9.¹ Re Western Union. Loridan states today's meeting solved most problems.

1. Mutual aid and consultation granted any signatory attacked in Europe. If signatory attacked elsewhere consultation might be called for. This meets Dutch objections.

2. No Dunkirk model clause on Germany for in case attack in Europe mutual aid and consultation automatic. Preamble provides consultation if any signatory feels menaced by Germany. This meets French demands.

3. Permanent Consultative Council described Embtel 486 remains. Benelux appeased by UK explanation Consultative Council can establish such secondary economic organizations as may be necessary. British Embassy Brussels feels economic organizations may be left vague for Foreign Ministers discuss time signature.

4. French had objected morning meeting certain vague flowery articles cultural and social progress proposed by UK (allegedly to please US) as aiding them develop their own Beveridge plan. Articles redrafted this p. m. and now accepted.

Loridan says negotiations will probably terminate with examination tomorrow p. m., drafts now being polished by drafting committee. British Embassy anticipates signature Foreign Ministers March 16 or 17 Brussels.

Sent Department 496, repeated London 60, Paris 53, Hague 43.

MILLARD

¹ Not printed.

840.00/3-1148 : Telegram

The Consul in Iceland (Trimble) to the Secretary of State

CONFIDENTIAL

REYKJAVIK, March 11, 1948—3 p. m.

59. Deptel 42, March 9¹. Icelandic newspaper comment on Bevin proposal has been light, scattered and almost completely factual with practically no discussion underlying economic, political and security factors. Comment departed from purely objective only in press discussion of statement made by Stefan Johann Stefansson² at time Scandinavian conference Stockholm Prime Ministers to effect Iceland stands with western powers (Legation's despatches 37, February 12 and 43, February 17¹). Although subsequent assertion Minister of Communications that majority Icelanders share reported views of their Prime Minister is probably correct, this does not mean that Iceland has any desire or intention to become member of proposed union, regarding itself in this instance as North Atlantic rather than European state. Government accordingly inclined to view proposal in abstract as desirable step for western Europe but of no direct concern to Iceland by virtue its geographic position.

TRIMBLE

¹ Not printed.² Icelandic Prime Minister and Minister for Social Affairs.

840.20/3-1148

Memorandum of Conversation, by Frederick Nolting of the Division of Northern European Affairs

CONFIDENTIAL

[WASHINGTON,] March 11, 1948.

Participants: Mr. Van Kleffens, Ambassador of the Netherlands
Mr. Armour, Assistant Secretary of State
Mr. Nolting, NOE

Ambassador Van Kleffens called at his request to discuss latest developments in the Five-Power Conference at Brussels leading toward an alliance of the United Kingdom, France and the three Benelux countries.

Mr. Van Kleffens stated that, while the draft treaty was still in malleable form, he would like to be placed in a position to inform his government concerning any suggestions which this Government might have with regard to the proposed treaty, with a view towards making it more acceptable to the United States. Stating frankly that the military features of the draft treaty did not mean a great deal unless backed, in some form or other, by the United States, Mr. Van Kleffens

mentioned a proposal by the British to extend the commitment of military aid in case of aggression to territorial possessions of the signatory powers. He said that in the view of his government such an extension would vitiate the strength of the mutual assistance clause by making it apply to irrelevant matters. Pointing out that his government preferred a solid and direct treaty, Mr. Van Kleffens asked whether this Government shared his view.

Mr. Armour replied that according to our latest information this issue had been compromised; that the draft treaty now provided automatic mutual assistance in case of attack in Europe, and consultation in the event of attack outside Europe. Mr. Van Kleffens stated that he would consider such a compromise satisfactory to his government.

Toward the close of a general conversation, Ambassador Van Kleffens returned to his original subject, and stressed the importance to the morale of the Western European countries of a responsive reaction from the United States regarding Western European union. Mr. Armour assured Mr. Van Kleffens that this Government would study the text of an agreement with the keenest interest to determine to what extent and in what manner we might lend our support.

757.61/3-1148: Telegram

The Ambassador in Norway (Bay) to the Secretary of State

TOP SECRET

OSLO, March 11, 1948—6 p. m.

143. Embtel 131, March 8.¹ I saw Foreign Minister Lange today at his request. He informed me that at special Cabinet meeting called by him March 8 all members government agreed quickly and unanimously to refuse invitation to join any pact whatsoever which might be offered by Soviet along lines proposal to Finland.² He informed Cabinet fully of his talk with me³ and declared his intention to report Cabinet's meeting to me as well as to British Ambassador.

I asked whether that meant Norway would take such action regardless whether Norway's position supported by Sweden and Denmark. He said, yes, Norway determined, if necessary, carry on alone as determination to refuse is inexorable.

Lange feels Undén sincere although he believes entire Swedish Government influenced to some degree by elections this year. To my question whether he felt Swedish Government reflected wishes of Swedish people he replied not exactly although they follow parallel path and

¹ Not printed.

² For documentation on this proposal, see vol. iv, pp. 759 ff.

³ The talk referred to here is presumably that of March 8 described in telegram 131.

government keeping ear close to people for reactions. As indication Swedish people in general thinking along neutrality lines expressed by Undén, Lange said he was informed *Dagens Nyheter* which has taken stand against Undén has recently lost substantial percentage of its circulation.

Lange is leaving tonight for meeting Scandinavian Foreign Ministers tomorrow Copenhagen (Embtel 122, March 4)⁴ where he stated he will press question other Scandinavian Ministers, particularly Undén as to precisely what position they will take if Norway should receive invitation to make Soviet pact as Norwegian Government feels situation sufficiently critical to make it necessary to know whether and what degree of support from Scandinavian neighbors may be depended upon. When I asked whether he intended to exert influence to uproot Undén from present apparently firm neutrality stand, he answered affirmatively remarking Undén must be handled slowly and gently.

Lange believes Denmark sufficiently aroused by recent Czechoslovak and Finnish crises especially following Danish Riksdag attack against communism yesterday to place Denmark safely on side of west.

Sent Department 143; repeated Helsinki 7, Moscow 7, Stockholm 18, Copenhagen 18, Paris 11, London 9.

BAY

⁴ Not printed.

840.00/3-1148: Telegram

The Secretary of State to the Embassy in Italy

TOP SECRET

WASHINGTON, March 11, 1948—8 p. m.

660. For the Ambassador's eyes only. We are actively studying what US Govt might do to assist in checking further Communist expansion in Europe through steps designed to strengthen confidence of non-Communist elements and deter Soviets from further fifth-column action along Czech model. We believe US public opinion now prepared support strong measures. At present we naturally have Italy foremost in mind. British, French and Benelux are currently elaborating regional security arrangements at Brussels. Those arrangements will have US support although form and extent of our relationship to them cannot be determined until we can study final product Brussels talks.

Please give us urgently your own estimate whether prompt Italian inclusion in our association with such a regional security arrangement would be helpful in Italy. We do not know what position West-

ern Union powers might take re immediate inclusion Italy. Bevin and Bidault share our desire to give maximum encouragement to Italians before elections but all five Govts may well hesitate at taking on such a heavy immediate liability.

Any suggestions you may have re security arrangements or consultations which might be beneficial in Italy would be appreciated.

MARSHALL

840.20/3-1148

*The British Embassy to the Department of State*¹

TOP SECRET

AIDE-MÉMOIRE

On the 8th March the Norwegian Minister of Foreign Affairs informed His Majesty's Ambassador at Oslo that, according to reports received from three different sources, the Norwegian Government might be faced with a Soviet demand to negotiate a Pact, as soon as, or even before, a Soviet-Finnish Pact had been concluded. Although it was a foregone conclusion that such a demand would be rejected, the Norwegian Government wished to know what help they might expect to receive if attacked. M. Lange was accordingly putting this question to His Majesty's Government in the United Kingdom and to the United States Government.² . . .

2. Mr. Bevin fears that there is ground for Norwegian apprehensions and that Soviet demands on Norway will in fact be made shortly. As a first step, Mr. Bevin suggests that the United Kingdom and United States Representatives in Oslo be instructed to do their best to infuse some courage into the Norwegian Government. They could point out that Turkey and Persia have successfully resisted Soviet demands and that Norway would be ill-advised to put her foot on the slippery slope by sacrificing her right to conclude pacts with whomsoever she chooses. They could add that, if Norway required outside support to maintain her independence, she would be much more likely to get it by showing resolution rather than by temporising.

3. Nevertheless Mr. Bevin fears that such language may not suffice to induce the Norwegian Government to hold out and he considers that

¹ Transmitted to the Department with a note dated March 11, 1948 from Inverchapel to Lovett stating that Mr. Bevin hoped to have some indication of the U.S. Government's views before leaving for Paris on the 15th (840.20/3-1148).

² Ambassador Bay, in his telegram 134, March 9, not printed, referred to his conversation with Lange the day before when he had informed the Foreign Minister that he was not in a position to discuss United States policy on this matter (857.20/3-948).

all possible steps should be taken to forestall a Norwegian defection at this time, which would involve the appearance of Russia on the Atlantic and the collapse of the whole Scandinavian system. This would in turn prejudice the chance of calling any halt to the relentless advance of Russia into Western Europe.

4. Two serious threats may thus arise shortly; the strategic threat involved in the extension of the Russian sphere of influence to the Atlantic; and the political threat to destroy all efforts to build up a Western Union. In this situation Mr. Bevin considers that only a bold move can avert the danger. Moreover, the pace set by Russia in Czechoslovakia, then Finland, and now Norway, shows clearly that there is no time to lose.

5. Mr. Bevin has for some time been considering how best to tackle a problem such as that which has now been brought to a head by the impending Russian move on Norway. He considers that the most effective course would be to take very early steps, before Norway goes under, to conclude under Article 51 of the Charter of the United Nations a regional Atlantic Approaches Pact of Mutual Assistance, in which all the countries directly threatened by a Russian move to the Atlantic could participate, for example United States, United Kingdom, Canada, Eire, Iceland, Norway, Denmark, Portugal, France (and Spain, when it has a democratic regime).

6. Mr. Bevin gave long and careful thought to the question of inviting the Scandinavian countries to join with the United Kingdom, France and Benelux in the system now being negotiated in Brussels. But he came to the conclusion that this would be a mistake, since France and the United Kingdom, with the Benelux countries, could not by themselves effectively defend Scandinavia against pressure. Nor was there quite the same outlook in France and the Benelux countries as in the Scandinavian countries in regard to the whole problem of Atlantic security. Therefore he decided against approaching the Scandinavian states at that time and cooperation with them has been kept entirely on the plane of the E.R.P. But now that pressure is developing against Norway, which might lead to the encirclement of Sweden, it is necessary to devise practical schemes to meet this danger. The most practical course, in Mr. Bevin's view, is to work for the following three systems:—

(i) The United Kingdom–France–Benelux system with United States backing;

(ii) A scheme of Atlantic security, with which the United States would be even more closely concerned;

(iii) A Mediterranean security system, which would particularly affect Italy.

His Majesty's Government in the United Kingdom are pressing ahead with the first system. But in view of the threat to Norway, the Atlantic security system has become even more important and urgent.

7. Mr. Bevin is convinced, therefore, that His Majesty's Government in the United Kingdom and the United States Government should study without any delay the establishment of such an Atlantic security system, so that, if the threat to Norway should develop, we could at once inspire the necessary confidence to consolidate the West against Soviet infiltration and at the same time inspire the Soviet Government with enough respect for the West to remove temptation from them and so ensure a long period of peace. The alternative is to repeat our experience with Hitler and to witness helplessly the slow deterioration of our position, until we are forced in much less favourable circumstances to resort to war in order to defend our lives and liberty. In Mr. Bevin's view, we can turn the whole world away from war if the rest of the nations outside the Soviet system become really organised, and in turn save Russia herself.

WASHINGTON, March 11, 1948.

840.20/3-1148

The Secretary of State to the British Ambassador (Inverchapel)

TOP SECRET

WASHINGTON, March 12, 1948.

DEAR MR. AMBASSADOR: Please inform Mr. Bevin that in accordance with your *aide-mémoire* of March 11, 1948, we are prepared to proceed at once in the joint discussions on the establishment of an Atlantic security system.

I suggest the prompt arrival of the British representative early next week.

Faithfully yours,

[File copy not signed]

857.20/3-1248 : Telegram

The Ambassador in Norway (Bay) to the Secretary of State

TOP SECRET

US URGENT

OSLO, March 12, 1948—noon.

146. In our conversation yesterday Foreign Minister Lange reverted to question of possible military support for Norway particularly from US in case of need (Embtel 134, March 9¹) stating he

¹ Not printed.

had informed government he would indicate to me importance of ascertaining US attitude regarding nature and extent of aid Norway might expect in event of pressure or attempted occupation by Soviet. All members of Cabinet supported him. Government obviously deeply worried regarding US thinking on this question and is hopeful that at least crumb of information or suggestion of policy may be forthcoming from Washington.

Department's instructions will be helpful (Embtel 88, February 19, Deptel 78, February 25²).

BAY

² Not printed.

S40.00/3-548

Memorandum by the Secretary of State to President Truman

TOP SECRET

[WASHINGTON,] March 12, 1948.

Subject: French and British Requests for Consultation on Measures to Check Extension of Communism

You will recall the message¹ from Foreign Minister Bidault which I discussed with you on March 5. After expounding at length the menace which the rapid expansion of the area of Communist dictatorship involved for France and the other free countries of Europe and stressing the urgency of agreed measures to prevent its further extension, his letter concluded with the proposal that the French, British and United States Governments enter into political consultations and examine without delay the technical questions involved in meeting the danger.

Mr. Bevin has also privately suggested² to Ambassador Douglas the desirability of political and military consultations between representatives of those three Governments and of Benelux and Italy.

I believe that at least an indication of our willingness to consult on means of stopping further extension of Communist dictatorship in Europe is necessary to stiffen morale in the free countries of Europe, particularly France and Italy. The outcome of the present Anglo-French-Benelux security talks in Brussels should indicate the extent to which the participating governments are prepared to go in mutual defense and should provide a starting point for our consultations with them.

¹ Letter dated March 4 not printed, but see editorial note, p. 38.

² See telegram 755, p. 32, for report on conversation of February 25.

If you approve, I propose to send the attached reply to Bidault and to send Bevin a message in the same sense.³

G. C. MARSHALL

³ Marshall presumably discussed this draft with the President during a private conversation following a cabinet meeting on the morning of March 12, and it was apparently at that time that the President approved it with omission of the last eight words of the sentence: "It might be wise to have a Benelux representative and perhaps Count Sforza included in the conversations." For text of reply to Bidault, see *infra*. At the same private conversation, Marshall informed the President of the March 11 British *aide-mémoire*. Reference to the conversation appears in a memorandum by Marshall to Lovett dated March 12, not printed: 840.00/3-1248.

840.20/3-448 : Telegram

The Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, March 12, 1948—3 p. m.

784. Eyes only for the Ambassador from the Secretary. Please deliver the following to Bidault personally: "Thank you for your personal message of March 4 which I have discussed with the President. We share your views as to the seriousness of the developments in Europe and as to the urgency of determining the best course to be adopted to prevent the expansion of the area of Communist dictatorship. We appreciate fully, I think, the dangers facing France and the other free countries of Europe.

"The deliberations in which representatives of France, Great Britain, Belgium, the Netherlands and Luxembourg are now engaged at Brussels will, I hope, result in comprehensive arrangements for the common defense of the participating nations. Such a result would appear to be an essential prerequisite to any wider arrangement in which other countries including the United States might play a part.

"As soon as my Government has had an opportunity to study the agreements reached at Brussels, I will be ready to discuss with you and Mr. Bevin what further steps may be desirable. It might be wise to have a Benelux representative.

"I am advising Mr. Bevin¹ of these views and should you wish to do so I have no objection to your discussing with him this reply to your letter."

MARSHALL

¹ The Secretary of State, in telegram 875 to London, March 12, 3 p. m. instructed the Chargé, Gallman, to advise Bevin personally along the lines of the message conveyed to Bidault, and to assure him that the Department shared his concern over extension of Communist dictatorship as expressed by Bevin to Douglas in their conversation of February 25, described in telegram 755, p. 32. (Telegram 875, not printed: 840.00/3-1248.)

759.61/3-1248

The Ambassador in Denmark (Marvel) to the Secretary of State

SECRET

COPENHAGEN, March 12, 1948—3 p. m.

230. When I asked Foreign Minister last evening what Denmark's reaction would be in event of Soviet request similar to that made Finland he replied matter had not been considered by Cabinet but his personal view with which he was certain Hedtoft¹ would agree, was that Denmark's reply would be a flat no. He added even in event USSR requested non-aggression pact Denmark would also flatly refuse to enter into such agreement. He pointed out Denmark had non-aggression pact with Germany while Norway did not, yet both were attacked simultaneously. He went on to say Denmark, by joining with Norway or Benelux, would not stop Soviet aggression. He said this could be stopped only by clean declaration by US that limit of Soviet advance has been reached and any further act of aggression would be promptly met by force. He said only such a declaration by US would carry weight with Soviet. He was hopeful such stand would be taken and openly declared by US. He said that it was within possibilities Denmark would be forced to seek military alliance with US. He hoped this would not occur before Marshall Plan had gone into effect so as to avoid implication ERP had military strings attached to it.

Sent Dept as 230, repeated Stockholm 17, Oslo 12.

MARVEL

¹ Hans Hedtoft, Danish Prime Minister.

857.20/3-1248 : Telegram

The Secretary of State to the Embassy in Norway

TOP SECRET US URGENT WASHINGTON, March 12, 1948—7 p. m.

107. Urtels 143 Mar 11, 6 p. m. and 146 Mar 12, noon. You may inform FonMin we are giving most urgent consideration to question of Norwegian security. If Soviet demands are made on Norway, in our opinion it is imperative that Norway adamantly resist such demands and pressure. Events in Czecho and elsewhere demonstrate futility of any other course. Soviet demands on Turkey and Iran were resolutely and successfully resisted by those countries. The American Govt supported both Turkey and Iran in resisting the Soviet demands.

You may tell FonMin in absolute confidence that we are in communication with Brit Govt about Norwegian situation. You should confer with your Brit colleague about advisability of correlating your talks

with FonMin with those of BritAmb who I am sure will have received instructions along this same line.

MARSHALL

840.00/3-1448

The British Ambassador (Inverchapel) to the Secretary of State

TOP SECRET PERSONAL

WASHINGTON, March 14, 1948.

DEAR MR. SECRETARY: Mr. Bevin welcomes the response in your letter of the 12th March to his proposal for joint discussions on the establishment of an Atlantic security system and hopes that we shall now be able to work out a satisfactory arrangement.

I understand that the Canadian Government have also agreed and that Mr. Bevin is arranging that two officials from London will arrive in Washington next week. I shall receive separate instructions about the detailed arrangements and cover plan for their visit. A little time is needed for further study of the question before the officials leave, but Mr. Bevin tells me that there will be no unnecessary delay.

Mr. Bevin has noted with satisfaction the instructions sent to the United States Representative in Oslo, of which Mr. Hickerson informed us. Similar instructions have been sent to His Majesty's Ambassador, and Mr. Bevin will himself speak to the Norwegian Foreign Minister in Paris in the same sense. He of course thinks it essential to give the Norwegians the firm impression that we and you mean business and are prepared to see this thing through and not stop short at exhortations. But subject to this, Mr. Bevin is sure that the encouragement and advice already being given to Norway by yourselves and ourselves will have a most valuable effect in holding the Norwegian situation while we work out our plan.

Yours sincerely,

INVERCHAPEL

840.00/3-1448: Telegram

The Chargé in Belgium (Millard) to the Secretary of State

SECRET

BRUSSELS, March 14, 1948—2 p. m.

525. Spaak, British, Dutch, French, Luxemburg delegates have all at different times expressed to me obvious hope of US support Brussels treaty and of course want eventual military guarantees.

In this connection Rendel informs me this morning, that during negotiations all delegations agreed that to be effective in a crisis five powers must have US support. They all further agreed that they must avoid giving any indication that this support was expected and that nothing should be included in treaty which could conceivably be interpreted as indicating such expectation. They all feel that US Govern-

ment quite naturally expects European nations do utmost on their part and they only hope that when US Government convinced they have done so, US would be disposed to lend support.

While needless to say I assume Department fully aware of above hopes, I venture point out that five powers would be disappointed if high US personality or better yet bipartisan congressional group did not make, as soon as treaty is published, strongest statement politically feasible supporting treaty. No such direct request has been made to me and of course I have never mentioned such a possibility.

Sent Department 525; repeated London 69, Paris 61, Hague 46.

MILLARD

S40.00/3-1548

*Memorandum of Conversation, by the Assistant Secretary of State for
Political Affairs (Armour)*

SECRET

[WASHINGTON,] March 15, 1948.

Participants: The Belgian Ambassador¹
Mr. Armour

Using the opportunity of a courtesy call on his return from Brussels, the Ambassador expressed the hope that this Government would publicly indicate its approval when the five power treaty was made public on March 17. He said he had personally recommended that the five governments jointly communicate the text to us before it was made public, as an indication of their interest in our reaction, but naturally with no request for any action by us. He did not know whether this suggestion would be followed. He nevertheless thought that unless we indicated some favorable reaction to the treaty as soon as it was made public, the participating governments and people would be greatly disappointed.

I told him that we had just this morning received the full text from the Belgian Government, that we were very much pleased with the agreement reached and that we were urgently studying what we could do to be helpful. I said I assumed we would indicate a favorable reaction when the treaty was made public.

¹ Baron Silvercruys.

S40.00/3-1648 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET NIACT
US URGENT

ROME, March 16, 1948—2 p. m.

1155. RefDeptel 660, March 11. I had occasion to discuss with the Prime Minister¹ yesterday Italy's relationship to the Brussels Five

¹ Alcide de Gasperi.

Power Agreement. He said he did not think it was advisable at the present time in view of the political situation for the Italian Govt to make any commitment with regard to participation in this new alignment. He said he thought the new arrangement was excellent, particularly if it were to receive the support of the US and that he would hope eventually that Italy might become a party to it. In the absence of any qualified Parliament, however, and in view of impending elections Signor De Gasperi feels that it would not be proper for Italy to make any move toward a new group at present time.

Sent Dept 1155; London 117 and Paris 163.

DUNN

Editorial Note

A Treaty of Economic, Social, and Cultural Collaboration and Collective Self-Defence (Brussels Treaty), March 17, 1948, between Great Britain and Northern Ireland, Belgium, France, Luxembourg, and the Netherlands, was signed at Brussels and entered into force August 25, 1948. For text, see *American Foreign Policy, 1950-1955, Basic Documents*, volume I, pages 968-971.

*Address by the President of the United States to the Congress,
March 17, 1948*

[Extracts] ¹

At the very moment I am addressing you, five nations of the European community, in Brussels, are signing a 50-year agreement ² for economic cooperation and common defense against aggression.

This action has great significance, for this agreement was not imposed by the decree of a more powerful neighbor. It was the free choice of independent governments representing the will of their people, and acting within the terms of the Charter of the United Nations.

Its significance goes far beyond the actual terms of the agreement itself. It is a notable step in the direction of unity in Europe for the protection and preservation of its civilization. This development deserves our full support. I am confident that the United States will, by

¹ For complete text, see Department of State *Bulletin*, March 28, 1948, p. 418, or *Public Papers of the Presidents, Harry S. Truman*, 1948, p. 182.

² See editorial note on Brussels Treaty, *supra*.

appropriate means, extend to the free nations the support which the situation requires. I am sure that the determination of the free countries of Europe to protect themselves will be matched by an equal determination on our part to help them to do so.

The recommendations I have made represent the most urgent steps toward securing the peace and preventing war.

We must be ready to take every wise and necessary step to carry out this great purpose. This will require assistance to other nations. It will require an adequate and balanced military strength. We must be prepared to pay the price of peace, or assuredly we shall pay the price of war.

840.00/3-1848

*Joint Message by the French Minister of Foreign Affairs (Bidault) and the British Secretary of State for Foreign Affairs (Bevin) to the Secretary of State*¹

TOP SECRET

[BRUSSELS, March 17, 1948.]

We discussed together in Paris your encouraging message² about further steps which might be desirable to combat further extension of Communist dictatorship in Europe, with particular reference to the Anglo-French-Benelux Treaty which we are glad to say was signed in Brussels today. The text has no doubt by now been communicated to you.

After signature we had a full, frank and friendly conversation with our three Benelux colleagues and we thought it necessary to inform them in strict confidence of the general sense of your message. All of us have noted with great interest your statement that the results achieved in Brussels today "would appear to be an essential prerequisite to any wider arrangement in which other countries including

¹ The copy printed here shows no date, point of origin or signature, and is attached to a note in the Department files (840.00/3-1848) addressed March 18, 1948, to the Secretary of State from John Balfour, British Minister at Washington. The note, signed by Balfour and left by him with Hickerson on the 18th, reads as follows: "My dear Mr. Secretary, In the Ambassador's absence, and on the instructions of Mr. Bevin, I send you herewith a joint message addressed to you by Mr. Bevin and Monsieur Bidault. 2. This message was drawn up at the meeting of the five Foreign Ministers after the signature of the Brussels Treaty yesterday. I am instructed to inform you that it also represents the views of the Foreign Ministers of Belgium, The Netherlands, and Luxembourg. Yours sincerely." The Minister Counselor of the French Embassy, Armand Bérard, left a similar letter and the same message in French (memorandum, Hickerson to Ambassador Douglas, March 18, 1948: 840.00/3-1848).

² See telegram 784, March 12, 3 p.m., to Paris, and footnote 1, p. 50.

the United States might play a part". The Treaty having now been signed, we have provided for our deputies to meet early next week to work out its early practical implementation.

We have also read this evening President Truman's impressive message to Congress and have noted in particular the passage in which the President stated, with reference to our Treaty, that the Soviet Government's determination to prevent this development must be matched by an equal determination on the part of the United States to help the free nations of Europe to protect themselves. We welcome the intention in your message to us and in the President's speech to Congress. We appreciate their importance in this serious and urgent situation which we on our side are doing our best to meet. We are ready, together with a Benelux representative, to discuss with you what further steps may be desirable, and we should welcome your views on the form these steps should take and on the time and place of such discussions. They might perhaps best be opened with your official representatives in Washington³ and we should, of course, be very ready to meet you personally as soon as this seemed advisable.

³ Hickerson, in a memorandum to Douglas dated March 18, not printed, pointed out that the French text delivered to him by Bérard read in translation that the conversations should be opened "with you by our representatives in Washington." Hickerson added that he assumed this was what Bidault and Bevin really meant (S40.00/3-1848).

655.5631/3-1848 : Telegram

The Ambassador in Belgium (Kirk) to the Secretary of State

SECRET US URGENT

BRUSSELS, March 18, 1948—7 p. m.

554. Re signature Brussels treaty: French Ambassador this morning discussing treaty made following points:

1. British stickiness on economic consultation understandable view 75 percent their trade outside continent. Remarked that although French delegate sided with Benelux proposal it understood British objections strong permanent economic council.

2. Bidault felt very strongly most important next step is establishing common military technique and standardization arms among five, bearing in mind US technique and equipment.

3. He and Bidault both feel if USSR wants war, now is time. Boetzelaer subsequently remarked Bidault has serious case jitters and in his opinion French are unduly alarmed. Bech later confirmed saying Bidault and all French delegation very pessimistic.

Saw Boetzelaer later and he feels most serious problem is practical application economic provisions treaty which difficult due free Belgian economy as against British Dutch restrictions. As example, pointed

out Benelux presently more effective in political than economic fields saying so far really only a customs union. Re consultative council Boetzelaer remarked first meeting Brussels 22 March and hopes Brussels will be permanent seat. Meetings agenda will be matters relating economies, finance, social security and defense.

Although given in that order Boetzelaer agrees with Bidault that defense most important.

KIRK

840.00/3-1948 : Telegram

The Ambassador in Belgium (Kirk) to the Secretary of State

SECRET

BRUSSELS, March 19, 1948—noon.

562. Talked with Spaak last evening congratulating him treaty signature, et cetera. He evidently gratified and took occasion praise warmly sympathetic and helpful American attitude as interpreted throughout by Millard.

Confirmed Consultative Council meets here next week and seemed certain Brussels would remain its regular seat. Also confirmed Bidault's apprehensions which he did not share himself.

President's speech pleased him greatly and he went on say he thought perhaps our best policy at present would be support pact of Brussels with full moral and material aid together with unofficial consultations certain matters. He was doubtful if time now ripe anything more positive, saying we all could afford to assess Russian reaction before taking up further possibilities. Main thing now was continue confront Russia with solidarity firmness.

He is well aware technical difficulties coordinating defense measures within the five powers as well as certain essential differences in technique with American manufacturing practices (metric system et cetera). On economic aspects treaty of Brussels, he appeared less sanguine for reasons previously reported.

Also talked with Bevin who was very pleased with results saying unity now secured and strong front presented Russia. He insisted Russia needs plain speaking and said his advice were to effect she not ready or willing launch war. He thought Stalin strong stabilizing influence against war. Referred his telegram¹ Secretary of State and said he ready implement meetings. Sketched broadly his strategic ideas establishing control over Atlantic Islands from Newfoundland, Greenland, Iceland, Azores to Casablanca. Spoke emphatically need for UK government bring Ireland together and into fold for common defense.

¹ Presumably the joint message from Bevin and Bidault transmitted to the Department by Balfour on March 18, p. 55.

He believes union in Ireland can be accomplished by sympathetic handling and obviously went to some lengths flatter Irish Chargé d'Affaires also present at table.

Bevin thought President's speech excellent and welcomed warm support it conveyed. He appeared not to expect much more at this time than moral material aid plus certain conversations. He applauded President's first point in particular paying highest tributes Marshall Plan and its originator.

Sent Department 562; repeated to London 72.

KIRK

840.00/3-1948

Memorandum by Mr. George H. Butler of the Policy Planning Staff

TOP SECRET

[WASHINGTON,] March 19, 1948.

POINTS FOR DISCUSSION AT S/P MEETING MARCH 19, 3 P. M.

Policy papers regarding the position of the United States with respect to Western Union and related problems, and with respect to Soviet-directed world Communism are under preparation in the Department and also by the staff of the NSC.

The following basic questions require decision:

1. Since concentration of U.S. effort is essential in order that our strength will not be wasted by dispersing it too widely, the problem is to phrase a statement about U.S. military assistance in such a way as to cover those countries whose continued freedom is most essential to U.S. security, and at the same time to avoid a statement that might invite Communist aggression against countries not included in such a first priority list.

2. Various suggestions have been made regarding means of assuring non-Communist countries that they will receive effective U.S. support:

(a) A treaty of reciprocal military assistance, based on Article 51 of the Charter of the United Nations, to be negotiated with selected countries, but not necessarily on a regional basis. UNA has prepared a draft of such a treaty.¹

(b) A regional treaty, in accordance with Article 52 of the Charter of the United Nations, providing for the establishment of a North Atlantic-Mediterranean Regional Organization which also would undertake reciprocal military assistance in accordance with Article 51 of the Charter of the United Nations. EUR has prepared a draft¹ of such a treaty, which appears to be a combination of the Inter-American Treaty signed at Rio de Janeiro and the recent agreement

¹ Not identified in Department of State files.

signed at Brussels by Great Britain, France and the three Benelux countries.

(c) The NSC staff recommends a *unilateral* assurance by the United States to the nations in Western Union that the United States will consider armed attack by the USSR or its satellites against any one of these nations to constitute armed attack against the United States under the provisions of Article 51 of the Charter of the United Nations; and initiation of political and military conversations with nations of the Western Union and other selected non-Communist nations with a view to coordinating our anti-Communist efforts and strengthening our collective security.

3. Suggestions had been made that at an appropriate time the Kremlin should be clearly and unmistakably informed of United States determination to resist Soviet and Soviet-directed Communist aggression and to give effective support to countries that are seeking to retain their freedom.

The following draft is suggested for the statement referred to in paragraph 1:

"The United States should concentrate its counter-offensive efforts against Soviet-directed world Communism so that our strength will not be wasted by dispersing it too widely, and first priority should be given to those countries of Europe and the Middle East which are immediately threatened by world Communism and whose loss of Freedom would most seriously threaten our national security."

840.00/3-2248

*Minutes of the First Meeting of the United States-United Kingdom-Canada Security Conversations, Held at Washington, March 22, 1948*¹

TOP SECRET SECURITY INFORMATION

Present were (US) Ambassador Douglas, Messrs. Hickerson, Butler, Achilles, Gen. Gruenther, Col. Griffin; (UK) Lord Inverchapel, Messrs. Gladwyn Jebb, Cecil, McLean [*Maclean*], Gen. Hollis, Brig. Price; (Canada) Ambassador Pearson, Messrs. Wright, Stone, Gen. Foulkes. Ambassador Douglas started the meeting at 1500, adjourned it at 1700.

French participation in conversations: Jebb, after a brief explanation of the Brussels pact, raised the question of inviting early French participation in the current conversations, urging that this be done. Douglas and Hickerson suggested that the French required consideration as a security risk before this decision might be made and indi-

¹ The minutes of this series of top secret meetings, held at the Pentagon between March 22 and April 1, were prepared by Maj. Gen. Alfred M. Gruenther, Director of the Joint Staff, Joint Chiefs of Staff.

cated that exploration on the present basis would be desirable first in any event. Jebb returned to this question at the close of the meeting, but UK and Canada accept US view, at least for the time being.

US assurances to western European states: Inverchapel and Jebb (Pearson² being noncommittal) indicated strongly the belief that the security measures of Brussels, and especially its extension to other European nations, required a firm commitment on the part of the US to aid militarily in the event of any aggression in Europe. Douglas and Hickerson explained at some length the US problem of Congressional support in such a connection. Should US assurances be by Presidential proclamation, if there were to be any, or by adherence to a treaty? In either case, Executive would have to have support of Congress. Senate leaders have not been approached on this question.

Inverchapel and Jebb considered that the position of the US was the first order of business; that what this position might be should be developed before the conversations could usefully turn to any other questions.

Douglas stated that he felt that US full support should be *assumed*, for the purpose of the current conversations, since such support was more than implied in the President's 17 March message to Congress and since no commitments could be developed in any case without support of the Congress. This position was accepted, somewhat reluctantly, by the UK representatives.

Nature of a defense pact: Douglas felt that it would be most useful first to explore the various types of defense pacts which might be adopted to extend resistance to the Soviet Communistic threat. There were three which should be considered; extension of the Brussels pact; an Atlantic pact (plus other regional pacts, such as one for the Mediterranean); and a world-wide pact of self-defense based on Article 51 of the UN Charter, which might be approached initially on the basis of regional arrangements.

It developed that none of the conferees had strong pre-conceived ideas as to what might be worked out. UK and Canada felt an Atlantic pact could include more nations than an extension of the Brussels pact, since small powers would be unwilling to assume commitments too far afield. If Brussels were regarded as a regional arrangement, how could Canada be included? How could the U.S. participate or be included? However, it was conceded that the Brussels pact left participation by other than regional neighbors open: Greece and Turkey could be considered eligible.

If an Atlantic pact were adopted, it might be extended to absorb the Brussels group. However, the question was raised as to the effect

² Lester B. Pearson, Canadian Under-Secretary of State for External Affairs.

on Italy of emphasizing *Atlantic* security, especially were this to become public prior to the 18 April elections.

Hickerson suggested that an ultimate world-wide Article 51 agreement might be the best goal. He suggested that regional arrangements were awkward in that certain countries were always hard to fit in: for example, what could be done with Iran if a Mediterranean pact were developed?

It was conceded that Italy must be accommodated in any arrangement ultimately worked out. Italy, more even than Norway, is now most directly menaced. Italy has not been approached on the question of adhering to the Brussels agreement. Scandinavia has not been approached: Hickerson suggested that this might be desirable.

Hollis stated that the Brussels pact, in concept, requires military staff discussions between the parties. Thus far, only minor service-to-service talks have occurred.

Action: It was agreed that the first order of business would be to explore the pros and cons in connection with the various types of common-defense pacts which offered themselves for consideration—the three types outlined above. A subcommittee would study this question as a matter of urgency (three days time limit was mentioned), meeting in the Joint Staff conference room in Pentagon beginning 1000, 23 March. Hickerson was designated to head the US membership and indicated that Gruenther and Griffin should attend.

The principal problem of security for the meetings involved Gladwyn Jebb, who will probably visit New York to appear at the Security Council from time to time as a deception measure. No firm cover plan for the meetings was adopted.

840.00/3-2348

*Report Prepared by the Policy Planning Staff Concerning Western Union and Related Problems*¹

SECRET

[WASHINGTON,] March 23, 1948.

[PPS 27]

The Problem: The Position of the United States with respect to Western Union and related problems.

Definition

Western Union, for the purposes of this paper, is the organization created by the treaty signed March 17, 1948, at Brussels which includes

¹ This report was transmitted to the National Security Council by Secretary Marshall in his letter dated March 24, 1948, addressed to Sidney W. Souers, Executive Secretary, NSC (840.00/4-648). Letter not found in Department of State files.

as charter members France, Great Britain, Belgium, the Netherlands and Luxemburg.

Primary Assumptions

A. Our objective is to strengthen the determination of the free nations to resist the aggression of Soviet-directed world Communism, to increase their confidence that they can successfully do so, and to confront the Soviet Union with sufficient organized force to deter it from attempting further aggression.

B. Fear of Soviet-Communist aggression is sufficiently strong that many of the free nations of Europe are willing to cooperate in close association, provided they are assured of military support by the United States.

C. This assurance should be predicated upon resolute action by them and should take the form of a firm commitment to extend military and other support (in the President's words to Congress on March 17 "the support which the situation requires") but leave maximum freedom of method compatible with effective assurance of reciprocal support from them.

Recommendations

1. We should not now participate as a full member in Western Union but should give it assurance of armed support.

2. We should press for the immediate inclusion in Western Union of Norway, Sweden, Denmark, and Iceland, with Portugal to follow speedily thereafter.

3. We should suggest the extension by Western Union of an invitation to Italy, after further exploration with de Gasperi whether extension of such an invitation prior to the Italian elections on April 18 would be of assistance to him in the election campaign. (The President has approved an NSC paper ² on Italy providing for action for the immediate inclusion of Italy in Western Union.)

4. We should encourage Western Union eventually to include Eire, Switzerland, Germany, Spain and Austria; and to deepen its cooperation in all of the aspects foreseen in its Charter, economic and cultural, as well as military.

5. It may thus serve as the core of an eventual close working association of states in which we, as the most powerful nation in the Atlantic and Western cultural community, may ultimately find it advisable to participate as a close associate or member.

² National Security Council paper NSC 1/3, "Position of the United States with respect to Italy in the Light of the Possibility of Communist Participation in the Government by Legal Means." The conclusions of this paper were approved by President Truman on March 15, 1948. For text, see p. 775.

6. The President's declaration of March 17 to Congress that "the U.S. will extend to the free nations the support which the situation requires" should be followed up as speedily as possible by :

(a) An immediate assurance through diplomatic channels to the nations in Western Union that, in the light of their commitment to extend to any party to their agreement who may be the object of attack in Europe all the military and other aid in their power, temporarily and pending the conclusion of a mutual defense agreement along the lines of (d) below, the U.S. will consider armed attack against them to constitute armed attack against the U.S. to be dealt with by the U.S. in accordance with Article 51 of the U.N. Charter. This assurance should include a declaration of willingness to consider whether a given case of indirect aggression should be deemed armed attack.

(b) An immediate assurance through the diplomatic channel to the other free nations of Europe and the Middle East that, in the event they become the objects of armed attack, temporarily and pending the conclusion of a mutual defense agreement along the lines of (d) below, the United States will consider armed attack against them to constitute armed attack against the United States, provided that they defend themselves with every resource at their command.

(c) Initiation of political and military conversations with members of Western Union and other selected non-Communist states with a view to coordinating military, informational and other anti-Communist efforts and strengthening their military potential.

(d) A mutual defense agreement under the Charter of the United Nations. This agreement should :

(1) Include as parties the present Western Union countries and the other free nations of Europe and the Middle East who may wish to adhere.

(2) Provide that at the request of any one of the Parties, the Contracting Parties shall consult as to whether armed attack is threatened and as to the best measures to be taken to meet the threat.

(3) Provide that an armed attack against any one of the parties shall be considered as an attack against all of them and that each of the contracting parties agrees to take armed action against the aggressor in the exercise of the inherent right of individual or collective self-defense recognized by Article 51 of the United Nations Charter.

(4) Provide that, in case of an indirect aggression against any one of them, the contracting parties will consult as to the necessary assistance to be given to preserve the territorial integrity and political independence of the threatened party and that, if any one of them be attacked in the course of extending such assistance, the several parties will regard such an attack as an attack against all of them. Indirect aggression should be defined as an internal *coup d'état* or political change favorable to an aggressor, or the use of force within the territory of a State against its Government by

any persons under direction or instigation of another government or external agency other than the United Nations.

(5) Provide that each contracting party shall determine for itself whether there has occurred an armed attack within the meaning of this agreement.

(6) Provide that upon determination that an armed attack within the meaning of the agreement has occurred the parties shall consult immediately for the coordination of the measures to be taken.

(7) Remain in effect for 10 years and be automatically renewed unless denounced.

840.00/3-2348

Minutes of the Second Meeting of the United States-United Kingdom-Canada Security Conversations, Held at Washington, March 23, 1948

TOP SECRET SECURITY INFORMATION

Present were all first meeting conferees, excepting Ambassadors Douglas and Inverchapel. Gen. Gruenther appeared only briefly. Hickerson opened the meeting at 1015, recessed it for lunch served in the conference room, and adjourned it at 1545.

Exploration of possible defense agreements: The pros and cons of various possible defense arrangements were discussed informally, it having been agreed that no notes would be kept until notes or views could be agreed upon by all the parties.

A world-wide Article 51 (UN Charter) pact of the free nations was explored first and abandoned as a possibility in meeting the urgencies of the present situation. It would be too cumbersome and too long in implementation. It was agreed that any approach adopted should not prejudice an ultimate development in this direction.

Extension of the Brussels Pact should not involve adherence by the US (or Canada), in Hickerson's view, since the US hopes to see the eventual development of a United States of Western Europe (possibly later of all Europe) and the Brussels pact offers the hard core for such a development. It would lose its utility for this purpose were the US to join. It would require substantial revision if members were drawn from outside Europe.

An Atlantic pact would leave Italy out, and would equally exclude Swiss and (possibly later) German or western German participation. It was agreed that the word "Atlantic" might be changed to "Western", which would permit inclusion of those states sharing western civilization. This would presumably exclude Greece, Turkey and Iran: there was doubt as to whether Greece and Turkey should be included

even in an expanded Brussels agreement. Jebb suggested that there might be a Western Mutual Defense Pact *plus*, later, a Middle East Pact. If so, however, what could be done with Afghanistan? With India and Pakistan? Would not even China want assurances?

Hickerson pointed out that the difficulty with establishing a "hold line" is that it must be kept secret, since publication of a "hold line" is likely to convince an aggressor that everything *outside* the line is vulnerable to easy aggression.

Presidential declaration or defense pact are the two choices open to the US in giving assurances of military support to free nations menaced by Soviet Communism. The point was raised that while the US might in an emergency situation extend assurances of armed support against aggression on the basis of a declaration of intent, sooner or later the US would have to require reciprocal guarantees from others. Were reciprocal guarantees offered, the result would, in effect, be a mutual defense agreement. The objective, therefore, should from the outset include a pact of mutual defense against aggression to which the US (and Canada) would finally adhere.

The possibilities of a military ERP were discussed, particularly in view of the likelihood that materiel and equipment will be asked of the US (and Canada), and that requirements should be coordinated. Discussion was inconclusive. No estimates were suggested as to the extent to which the US might be asked to contribute military supplies. The consensus seemed to be that political arrangements, including US assurances, should be worked out before any related questions could be explored.

Action taken: It was agreed that each delegation would prepare a paper for a meeting at 1050 24 March suggestion [*suggesting*] a pattern and procedure by which:

1. A Western Mutual Defense Pact might be developed.
2. Assurances might be given, during the interim, by the US to threatened free nations of Europe.
3. Joint assurances might at the same time be given Greece, Turkey and Iran by the US and UK.
4. Efforts might be simultaneously developed to widen participation in the Brussels agreement, first by invitations to Scandinavia and Iceland, then to Portugal, Eire, Switzerland, and to Italy if De Gasperi considered the domestic Italian situation warranted an immediate invitation to membership.

The *general idea of this approach* would be to begin approaching agreement on the working level, of the *substance of a course of action*. Specific actions and timing would be examined later. It was understood that no commitments were being made by any party and that the

problem remained one of determining objectively upon a possible best course of action.

840.00/3-2448

Minutes of the Third Meeting of the United States-United Kingdom-Canada Security Conversations, Held at Washington, March 24, 1948

TOP SECRET SECURITY INFORMATION

Present were the conferees of the second meeting with the exception of Wright (Canada) and with the addition of Ambassador Wrong (Canada). Hickerson called the meeting to order at 1000, adjourned it after lunch until 1600, at which time a second meeting was held until 1810. In the interim a drafting committee, consisting of Achilles (US), Jebb (UK) and Pearson (Canada), produced the paper of which two copies are attached.¹

The draft paper was approved for reference to the Ambassadors and as the basis for discussion at a plenary meeting 25 March.

The paper (untitled and undated) is in the form of a unilateral US document, purpose of which is to give effect to the President's 17 March declaration of support for the free nations of Europe, and the recommendations of which will require consultation with US political leaders to assure full bi-partisan support.

Objective is a Security Pact for the North Atlantic Area, plus an extension of the Brussels agreement. The US would be a member of the North Atlantic Pact along with all nations bordering the North Atlantic (including Iceland) and Italy, except that Spain would not be immediately eligible. Italy would be invited to join at once if De Gasperi, in terms of Italian domestic conditions, desired such an invitation. The way would be left open for accession later by Western Germany, Austria and Spain.

After obtaining the approval of all the Brussels signatories approaches would be made to the Scandinavian states to obtain their adherence to Brussels, the *quid pro quo* being the promise that the US would immediately issue security guarantees to all Brussels signatories pending the conclusion of a wider North Atlantic Pact. (Action would go forward thereafter whether Sweden acquiesced or not.)

Thereafter, the President would make a public statement giving assurances, with simultaneous invitations to a North Atlantic Pact conference. Simultaneous assurances to [of] support to Greece, Iran

¹ This paper, not found in Department of State files, is presumably an early draft of the so-called "Pentagon Paper" which is printed as an enclosure to the minutes of the sixth meeting, p. 72.

and Turkey would be given jointly by the US and UK (and France, possibly).

Basis for the Pact would be Article 51 of the Charter.

Reason for the "North Atlantic" restriction is to prevent efforts of Latin America, Australia, etc., to adhere, which would make the arrangement unwieldy, especially as none of these are now directly threatened by Soviet Communism. The suggestion would be made that all free nations should eventually be covered by regional security pacts, to the ultimate end that Article 51 security arrangements would be obtained for all free nations.

859.20/3-2448 : Telegram

The Ambassador in Denmark (Marvel) to the Secretary of State

TOP SECRET

COPENHAGEN, March 24, 1948—11 a. m.

275. Foreign Minister sent for me last evening and openly disclosed acute nervousness of Danish Govt. He listed numerous precautionary measures govt is taking to guard against internal attempts of Communists and to prepare against possible Soviet invasion (see mytel 270, Mar 23) ¹ and emphasized Denmark is determined to resist to last any Soviet aggression.

He said there is small immediate chance of Denmark's being invited to join Brussels pact (Embtel 265, Mar 22) ¹ noting none of signatories have approached Denmark and in fact Dutch Foreign Minister and Dutch Prime Minister told him last week Holland holds view no country should be invited until five participating members had consolidated their situation. Furthermore he doubted joining Brussels pact would give Denmark military assistance it might require.

He inquired as to request for arms (mytel 229, Mar 12).¹ In informing him I had received no reply I pointed out there are certain legal and policy difficulties. He then acquainted me with Norway's request to US for military guarantees. He said Bevin was aware of this request as Bevin asked him re it in Paris. He stated he learned of Norway's request only after it had been made. He then said Denmark might be forced to make similar request (mytel 230, March 12).¹ While he disliked Denmark's joining with Norway to break up solidarity of Scandinavian states he is satisfied Sweden will maintain its neutral attitude and therefore Denmark must determine independently its own course. He added that course has not yet been adopted by government but would be considered at Cabinet and foreign affairs meeting today. He

¹ Not printed.

asked if we could resume our discussions after government policy determined which, in my opinion, will be within relatively short time.

MARVEL

S40.20/3-2548 : Telegram

The Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, March 25, 1948—7 p. m.

965. For Caffery's eyes only. Following identical message to Bevin and Bidault delivered to their Ambs today. "I agree with your and Bevin's (Bidault's) suggestion of March 17 that the next step should be preliminary working discussions here and that Benelux should be represented. My Government is urgently studying the Brussels Treaty and the part the United States should play in further security arrangements. I hope we shall be in a position to undertake discussions very shortly. Lovett will be getting in touch with your Ambassador here in the near future and my absence¹ at Bogotá will not interfere with pressing the discussions to a rapid conclusion."

Sent Paris as 965; rptd London for Gallman's eyes only as 1058.

MARSHALL

¹ Secretary Marshall was Chairman of the United States delegation to the Ninth International Conference of American States, Bogotá, Colombia, March 30-May 2, 1948. For documentation on this conference, see vol. ix, pp. 1 ff.

S59.20/3-2748 : Telegram

The Ambassador in Denmark (Marvel) to the Secretary of State

TOP SECRET

COPENHAGEN, March 27, 1948—11 a. m.

286. My conversation March 24 with Hedtoft and subsequent foreign affairs meeting (mytel 275, March 24) reveal determination of Denmark's ultimate course of action unlikely to be made until after Italian elections and terms of Finnish-Soviet agreement known. However, this much is clear:

- (1) Danes will resist, there will not be another April 9, 1940.
- (2) If approached Danes will flatly reject either (a) military or (b) nonaggression pact with Soviets.
- (3) Danes watching with great interest for reaction of US to Norway's request for military assistance.
- (4) Danes dubious of favorable reply to Norway's identical request to British.

MARVEL

S40.00/3-2948

Minutes of the Fourth Meeting of the United States-United Kingdom-Canada Security Conversations, Held at Washington, March 29, 1948

TOP SECRET SECURITY INFORMATION

Present were the conferees of the first meeting, plus Ambassador Wrong of Canada. Ambassador Douglas convened the meeting at 1415, adjourned it at 1545.

Lord Inverchapel disclosed that London had been informed of the progress of the talks. Mr. Bevin was pleased with the progress made, but had reservations as to idea of approaching Italy prior to the Italian elections; as to inviting Swiss participation (which he felt would court a rebuff); and as to inviting Scandinavian adherence to Brussels until after a North Atlantic Pact was plainly in the offing (since he felt the Swedish would refuse and that attendant publicity would be unfavorable).

In response to Hickerson's comment that the talks were too tentative to merit official reaction at Mr. Bevin's level, Inverchapel indicated that Bevin understood that there were no commitments whatever and that work thus far had gone forward only on the pick and shovel level.

Douglas stated that any treaty article committing the parties to war in the event of aggression should in terms of American political realities either be on the model of the Rio pact (with definitions of "armed attack") or should be explicit in indicating that each party would determine "municipally" for itself whether an armed attack had in fact occurred.

Douglas asked Gruenther whether, from the military point of view, we should be "biting off more than we could chew" in signing the proposed Pact. Gruenther stated that there were differing views among those of the military with whom the question had been very briefly discussed, but that the J.C.S. had not yet been able to consider the military implications.

Gen. Hollis said that the British Chiefs considered the Pact idea a risk, but that the worse risk was to permit one country after another to be picked off by Soviet Communism until we should face a more and more difficult, and finally an impossible, strategic situation.

Hickerson stated that, in his view, the objective of the Pact approach was to stop the Soviet Communist advance, and that this would probably be accomplished by the fact of a drawing together of the free nations in their own defense. Jebb agreed with this view, which seemed to be generally accepted by the political conferees, including Douglas.

Gruenther made no comment on this concept, but offered one additional thought.

The necessity for being entirely clear that no commitment to aid a state, victim of attack, should require that aid should be delivered *locally*. We should retain freedom to carry out action against the aggressor in accordance with strategic concepts. It was agreed that this point should certainly be provided for.

The possibility of including specific mention of China, and possibly other areas thus far neglected, in the preamble to the Pact or in announcing the Pact was discussed. Hickerson stated that this was a question which would have to be settled in connection with the Pact, and that it was a question which the State Department would have to work out: the proposals thus far were, of course, merely skeletal outlines of what might be desirable, and left many important areas to be filled in.

Action: It was decided that the work thus far done should be examined by each group with a view to deciding upon an agreed form of words for the action which would be most desirable, and that a meeting would be called by Douglas no sooner than the afternoon of Tuesday, 30 April [*March*], at which this agreement might be obtained. There would be no consultation with American political leaders in the meantime, and hence no increase in the likelihood of security leaks. It was possible, but not likely, that Douglas might be able before then to get a reaction from Secretary Marshall as to whether he supported the Pact idea in principle.

840.00/3-3148

Minutes of the Fifth Meeting of the United States-United Kingdom-Canada Security Conversations, Held at Washington, March 31, 1948

TOP SECRET SECURITY INFORMATION

Present were the conferees of the third meeting. (Ambassador Wrong of Canada was the only principal present). Hickerson called the meeting to order at 1010; adjourned it at 1225.

Hickerson presented a *new draft*¹ of the informal position paper, incorporating changes suggested by Ambassador Douglas and by "indirect" soundings concerning the probable attitude of Congressional leaders. Effect of the alterations is to:

- a. Introduce Rio Treaty language wherever possible.

¹ Not found in Department of State files.

b. Abandon any attempt to define "indirect aggression" substituting therefore provisions for consultation in the event any party to the pact considers itself thus menaced.

c. Provide that each party determines for itself "whether there has occurred an armed attack within the meaning of the agreement" and the immediate measures it may individually take in fulfilling its treaty obligations until coordinated measures have been agreed upon.

The new draft would have the President give specific *assurances of support to Italy* as well as to the Brussels signatories.

Jebb presented the view of Mr. Bevin that *Switzerland should not be invited* to participate in a conference looking to preparation of an Atlantic Security Pact, since this would be certain to court a rebuff, but rather should be informally advised that it would be welcome to participate on its own initiative. Hickerson accepted this view.

Hickerson stated that the *position paper has the approval of Ambassador Douglas*, and that Mr. Lovett (on the basis of insufficient study) *considers it* desirable in principle.

Several drafting questions were raised, including the applicability of specific articles of the United Nations Charter.

There was an inconclusive discussion of the geographic limits under which the pact might operate. Could Greenland be included if reference were made only to "metropolitan territories" of the parties? Could Alaska or Hawaii? Should Spitzbergen be covered? It was agreed that Alaska and Greenland would have to be covered and that a formula would have to be devised, but that the over-all problem should be studied by each of the three Governments.

A meeting (probably to be the last of the series) was set for the afternoon of 1 April, at which time Hickerson will present a new draft paper incorporating changes based on new points raised.

S40.00/4-148

Minutes of the Sixth Meeting of the United States-United Kingdom-Canada Security Conversations, Held at Washington, April 1, 1948

TOP SECRET SECURITY INFORMATION

Present were the conferees of the fifth meeting. Mr. Hickerson called the meeting to order at 1545; adjourned it at 1730.

A *new draft* of the position paper under discussion was introduced by Hickerson and examined in detail. An additional paragraph had been added, *delineating the area to be covered* by the agreement. It was agreed that this question would require further work at a later

date. Other alterations in the paper proceeded from points raised at the previous meeting.

It was agreed that *no further meetings* were necessary.

The State Department now has a position paper¹ respecting the formation of regional security arrangement in the North Atlantic Area. The paper appears to be, and will be regarded as, a purely American paper. Accomplishing the objectives of *the paper will require*:

1. Approval first by Mr. Lovett and thereafter by Mr. Marshall.
2. Concurrently, introduction of the paper into the NSC, which will probably be done shortly by Mr. Butler (The paper as now written might well be improved through subjection to NSC staff appraisal.
3. Approval by Mr. Forrestal, or by the top NSC, and thereafter by the President.
4. The concurrence of a few Congressional leaders, including Senator Vandenberg.²
5. Thereafter, implementation of the steps outlined in the paper itself.

Hickerson was careful to impress Jebb with the idea that the paper as it now stands represents only a concept of what is desired at the working level, and that British expectations should be based on nothing more than this.

It was generally agreed that a *treaty* should be accomplished and as soon as possible, the optimum possibility being that it might be accomplished prior to the end of the current session of Congress. This would have much greater political effect than a mere declaration of intent, no matter how strongly worded for Presidential delivery.

[Enclosure]

TOP SECRET

[WASHINGTON, undated.]

FINAL DRAFT

The purpose of this paper is to recommend a course of action adequate to give effect to the declaration of March 17 by the President of support for the free nations of Europe. The recommendations made will require close consultation with political leaders of both parties in order that whatever policy is formulated may be a truly bipartisan American policy.

¹ This paper is presumably the undated "final draft" printed *infra* and referred to in a related memorandum as the "Pentagon Paper" (S40.00/3-1748).

² Arthur H. Vandenberg, Chairman, Senate Foreign Relations Committee.

RECOMMENDATIONS

1. Diplomatic approaches to be made by the Government of the United States to the signatories of the Five-Power Treaty signed at Brussels on March 17, 1948 in order to secure their approval to its extension in the manner outlined below and to inform them of plans for the conclusion of a collective defense agreement for the North Atlantic Area, details of which are given below.

2. An immediate approach then to be made to Norway, Sweden, Denmark and Iceland, and (if the Italian elections are over) also to Italy, through diplomatic channels, by the United States, United Kingdom and France, with the consent of Benelux, with the object of explaining to them the scheme for a declaration by the President on the lines of that recommended in paragraph 3 below, and of ascertaining whether they would be prepared in such circumstances to accede to the Five-Power Treaty in the near future and to enter into negotiations for the North Atlantic Defense Agreement.

3. The President to announce that invitations had been issued to the United Kingdom, France, Canada, Norway, Sweden, Denmark, Iceland, The Netherlands, Belgium, Luxembourg, Eire, Italy, and Portugal (provided that secret inquiries had established the fact that these countries would be prepared to accept the invitations) to take part in a conference with a view to the conclusion of a collective Defense Agreement for the North Atlantic Area designed to give maximum effect, as between the parties, to the provisions of the United Nations Charter. In his statement the President would include a declaration of American intention, in the light of the obligations assumed by the signatories of the Five-Power Treaty and pending the conclusion of the Defense Agreement, to consider an armed attack in the North Atlantic Area against a signatory of the Five-Power Treaty as an armed attack against the United States to be dealt with by the United States in accordance with Article 51 of the United Nations Charter. The declaration would state that the United States would be disposed to extend similar support to any other free democracy in Western Europe which acceded to the Five-Power Treaty. If, as a result of the inquiries referred to in paragraph 2 above, it appears that Norway, Sweden, Denmark, Iceland, and Italy, or any of them, do not wish to accede to the Five-Power Treaty at this stage, consideration would need to be given, in the light of the views of the above states, to the extension to them of some assurance of immediate support in case of an armed attack against them which they resisted resolutely. In any event, the declaration would be so phrased as to avoid inviting aggression against any other free country in Europe.

4. Simultaneously with this declaration an Anglo-American declaration to be made to the effect that the two countries are not prepared to countenance any attack on the political independence or territorial integrity of Greece, Turkey, or Iran, and that in the event of such an attack and pending the possible negotiations of some general Middle Eastern security system, they would feel bound fully to support these states under Article 51 of the Charter of the United Nations.

5. It is contemplated that the Defense Agreement referred to in paragraph 3 above would contain the following main provisions:

a. Preamble combining some of the features of the preambles to the Rio and Five-Power Treaties and making it clear that the main object of the instrument would be to preserve western civilization in the geographical area covered by the agreement. The Preamble should also refer to the desirability of the conclusion of further defense agreements under Article 51 of the Charter of the United Nations to the end that all free nations should eventually be covered by such agreements.

b. Provision that each Party shall regard any action in the area covered by the agreement, which it considers an armed attack against any other Party, as an armed attack against itself and that each Party accordingly undertakes to assist in meeting the attack in the exercise of the inherent right of individual or collective self defense recognized by Article 51 of the Charter.

c. Provision following the lines of Article III, paragraph 2 of the Rio Treaty to the effect that, at the request of the State or States directly attacked, and until coordinated measures have been agreed upon, each one of the Parties shall determine the immediate measures which it will individually take in fulfillment of the obligation contained in the preceding paragraph and in accordance with the principle of mutual solidarity.

d. Provision to the effect that action taken under the agreement shall, as provided in Article 51 of the Charter, be promptly reported to the Security Council and cease when the Security Council shall have taken the necessary steps to maintain or restore peace and security.

e. Delineation of the area covered by the agreement to include the continental territory in Europe or North America of any Party and the islands in the North Atlantic whether sovereign or belonging to any Party. (This would include Spitzbergen and other Norwegian Islands, Iceland, Greenland, Newfoundland and Alaska.)

f. Provision for consultation between all the Parties in the event of any Party considering that its territorial integrity or political independence is threatened by armed attack or indirect aggression in any part of the world.

g. Provision for the establishment of such agencies as may be necessary for effective implementation of the agreement including the working out of plans for prompt and effective action under *b* and *c* above.

h. Duration of ten years, with automatic renewal for five-year periods unless denounced.

6. When circumstances permit, Germany (or the three Western Zones), Austria (or the three Western Zones) and Spain should be invited to adhere to the Five-Power Treaty and to the Defense Agreement for the North Atlantic Area. This objective, which *should not be publicly disclosed*, could be provided for by a suitable accession clause in the Defense Agreement.

7. Political and military conversations to be initiated forthwith with the parties to the Five-Power Treaty with a view to coordinating their military and other efforts and strengthening their collective security.

859.24/3-1248 : Telegram

The Acting Secretary of State to the Embassy in Denmark

TOP SECRET U.S. URGENT WASHINGTON, April 5, 1948—7 p. m.

204. For your info[rmation] we have discussed request contained in urtel 229, March 12,¹ with War Dept. Similar problems have arisen over a wide area following Brussels meeting. Our use of very limited supplies must be planned with view to requirements of general situation and War Dept has informally indicated that supplies are not now available to implement the Danish request. We assume that the Danes will explore any sources of arms open to them.

It is suggested that you inform the Foreign Minister that we are urgently considering at top levels here the problems of European security and are hopeful that we will reach solutions which will take full account of the situation in Denmark and will go far to relieve Danish anxiety. We feel that the problem can best be dealt with on an overall basis and that a piecemeal approach would not provide a satisfactory solution.

Please convey to the Foreign Minister our deep satisfaction with the indications he has given you of Denmark's determination to defend its independence. Such determination is of course an essential prerequisite to the consideration by this Government of any measures of assistance. You should emphasize the importance which we attach to the satisfactory solution of the problem of the security of the free countries of Europe.

LOVETT

¹Telegram 229 from Copenhagen, not printed, contained a request for armaments (859.24/3-1248).

840.00/4-548

*Memorandum of Conversation, by the Chief of the Division of Western
European Affairs (Achilles)*

TOP SECRET

[WASHINGTON,] April 5, 1948.

Subject: U.S. Support for Brussels Treaty

Participants: The Prime Minister of Belgium
The Belgian Ambassador
The Acting Secretary
Ambassador Kirk
Mr. Hickerson—EUR
Mr. Achilles—WE

The Prime Minister came in to pay a courtesy call and to exchange views on the current situation in Europe. He began by asking whether we considered the Five-Power Treaty satisfactory.

The Acting Secretary replied that we considered it very satisfactory indeed and the M. Spaak's visit was most opportune. The U.S. Government was actively studying how it could best support and reinforce the Treaty and we would accordingly be grateful for M. Spaak's views on the matter.

M. Spaak said that he was optimistic and believed that plans should be made on the basis that war would not occur for at least three or four years. He recognized the possibility of accidents but believed that accidents caused wars only if one side were seeking a pretext, which he was sure was not the case at present. In any event, sound plans could not be based upon the possibility of accidents.

He believed the Soviet Government was acting on the assumption that any overt act in Europe would mean war with the United States regardless of whether or not the United States entered into formal treaty relations for the defense of Western Europe. The Russians naturally sought to dominate one country at a time, but were unprepared to risk losing everything by provoking total war over any one country. In contrast to the pre-1939 situation, the Soviets had no desire to fight in Europe. If they attack any European country it would be only to open war against the United States.

If the United States were prepared to enter into formal guarantees of Western Europe such commitments would be universally welcomed in Western Europe, particularly in France, but formal commitments were not the essential need. The real need was for maximum military coordination at the earliest possible date.

The Brussels Treaty is still only a beginning, at present only a piece of paper. This week its Secretariat is being established and next week the Parties will hold military conversations in London. Their purpose

will be to plan coordinated defense with the means now available and to ascertain, as in the case of ERP, what the Five must themselves do to increase their defense potential and what else they must have from the United States.

A treaty by which the United States guaranteed the Five Powers, who are not at present directly threatened by the Russians, would risk making other European countries which are threatened fear that the United States had written them off and might encourage the Russians to move against them.

Whether or not the United States was prepared to enter into a treaty commitment, he would like to see the President's March 17 statement reaffirmed with greater precision. He expects that we will be closely informed of the military talks in London and hopes for our participation in them as soon as possible. While such talks would most naturally be held in secret, the fact that they were being or had been held could not be kept secret and public knowledge that they had been held might be desirable. The British and French are reluctant to proceed with too tight an implementation of the Brussels Treaty for fear of displeasing the United States.¹ It would accordingly be desirable for the United States to let the British and French know without delay that the more tightly and effectively the Brussels Treaty is implemented the better we will like it.

Italy might well wish to adhere to the Brussels Treaty shortly after the elections. The Swiss and Swedes would cling to their neutrality but the Norwegians were showing real courage and would probably wish to adhere. The Danes might also. M. Spaak was personally agreeable to these countries adhering to the Treaty but believed that at present they would not see much advantage in doing so except in so far as United States assistance was concerned. Orderly integration of other countries into the military machinery to be set up by the Five was a more important consideration than speed.

Mr. Lovett said that the United States military, who would look at the problem from the logistic point of view also, would think it necessary to consider the continent as a whole. We had already received specific requests for arms from the Norwegians and Danes.

Ambassador Kirk referred to the need for coordinated planning for the production of equipment and agreement as to which types of arms

¹In telegram 1112 of April 6, Lovett informed Caffery that Spaak, in this conversation of April 5, had indicated a French reluctance to "integrate" the Five Power Treaty too tightly for fear of displeasing the United States. Lovett instructed Caffery to tell Bidault that on the contrary the more tightly the treaty could be implemented, the better the United States would like it (840.00/4-648). In telegram 1833 of April 8, not printed, Caffery replied that Bidault "says that the French are not reluctant to integrate five power treaty tightly" (840.00/4-848).

could be standardized on the basis of Continental, British or American production.

Mr. Lovett felt the Brussels Treaty provided an excellent focal point for discussion of these problems. He emphasized that whatever action was taken by the United States Government must represent a completely American and non-partisan policy. He assured the Prime Minister that the President's statement left no question whatever as to our determination to support the Parties to the Five Power Treaty; the only question was how this could best be done.

740.00119 Council/4-548: Telegram

The Acting Secretary of State to the Embassy in the United Kingdom

TOP SECRET US URGENT WASHINGTON, April 6, 1948—7 p. m.

1195. For the Ambassador eyes only from Lovett and Hickerson. Hope to clear with President tomorrow.¹ No further soundings taken as yet (your 1360 Apr 5).²

Only substantive changes in paper³ since Jebb left are: (1) bringing para concerning declaration into line with paras *b* and *c* on proposed agreement by providing explicitly for individual determination of attack and measures to be taken; and (2) limiting military conversations with Five Powers initially to coordination of production and supply. The nakedness which bothered you is better clothed.

Have had exploratory talk with Spaak without ref to past or future conversations. Spaak attaches great importance to establishment this week of Five Power Secretariat and to military conversations anticipated for next week in London. He believes Brit reluctant to integrate Five Power Treaty too tightly for fear displeasing us. Tell Bevin that

¹ Lovett is apparently referring here to his hope to clear with the President on April 7 a revised statement on Western Union designated as Policy Planning Staff paper PPS 27/1. This report had developed out of a blending of the contents of PPS 27 of March 23 (p. 61) and the undated working paper (p. 72) referred to in the minutes of the sixth meeting of the security talks on April 1. The revision and combination of these two, adapted to the format of the PPS report, was discussed by Hickerson, Henderson, Rusk, Achilles, Butler and Lovett on the morning of April 6. Final alterations were made and the paper was returned to Lovett by Butler that afternoon (memo dated April 6, not printed: 840.00/4-648). Records found in the Department of State files do not indicate whether Lovett was able to clear the paper with the President. On April 9, Lovett forwarded this latest draft, designated PPS 27/1 and dated April 6, 1948, to the National Security Council as a working paper in the Department on which neither he nor the Secretary had taken a position (letter, Lovett to Souers, not printed: 840.00/4-648). PPS 27/1 not printed: 840.20/4-648.

² In telegram 1360, not printed, Douglas requested from Hickerson the latest information on developments proceeding from the Washington discussions in preparation for a meeting with Bevin who was anxious to talk with him on the subject (740.00119 Council/4-548).

³ Presumably the undated paper printed as an enclosure, p. 72.

on the contrary more tightly Five Power Treaty can be implemented better we will like it. [Lovett and Hickerson.]

LOVETT

840.20/4-948

*Paraphrase of a Telegram From the British Secretary of State for Foreign Affairs (Bevin) of April 9th Regarding Recent Talks on North Atlantic Security Arrangements*¹

TOP SECRET

Long and careful consideration was given to all the risks involved, but the greatest risk, especially having regard to the lesson of past history, is to do nothing and not to be positive in our development, and we feel therefore that the approach that has been made to the problem of regional defence is the right one.

I have had an opportunity of consulting in the greatest secrecy the Prime Minister and a few of my closest colleagues. They agreed that the summoning of a conference by the United States Government to discuss defence arrangements for the North Atlantic area is the right course and would be the best guarantee of peace that could be imagined at the present time.

As I have stated above, we considered the risks and whether such action on the part of the United States Government might provoke the Soviets and cause them to take further rash measures which might result in war; but we took the view that this would not occur, and the risk would be a very small one. We believe that a real effort at organisation of collective security by the western powers now is more likely to cause an eventual reorientation of policy on the part of the Soviet Union, whereas if we proceed with half measures which are purely economic and financial and do not carry them to their logical conclusion, the Soviet Government might think that that is all we are likely to do. This would consequently weaken our position and so might precipitate the conflict which we desire to avoid.

Another essential thing in Western Europe, and indeed among all free European countries, is to give confidence. That confidence would have very great repercussions and make the economic steps that have been taken more effective. Therefore the construction of a North Atlantic defence system would put heart into the whole of Western Europe and would encourage them in their resistance to the infiltration tactics which they have had to face hitherto.

If a defence arrangement were set up which resulted in a really solid backing for the Brussels Treaty and which produced a sound

¹Point of origin, date and addressee not indicated on file copy. Apparently delivered to Lovett through Inverchapel (840.00/4-1648).

Atlantic Security system, this would have a profound influence in dealing with the long standing German problem. France, of course, had hoped for the four-party treaty proposed by Mr. Byrnes and supported by Mr. Marshall. This would have given France a feeling of security in the event of a resurgence of the German menace. The French are still nervous and there is concern here too. In addition if the new defence system is so framed that it relates to any aggressor it would give all the European States such confidence that it might well be that the age-long trouble between Germany and France might tend to disappear.

We feel that American support only in the form of a declaration by the President would be inadequate. It would leave the situation in doubt and this would apply whether we extended it to the Scandinavian States and Italy, or whether we left it to the more limited area of the five power treaty. Again, any such declaration not having the backing of the Senate would make people here very doubtful as to whether they had incurred any reciprocal obligation. We should certainly be under a moral obligation not to leave the United States in the lurch. We should be constantly challenged as to whether we were in any way bound by a presidential declaration, and we should have to say that there was no commitment. That would leave us in a very unsatisfactory position and might arouse resentment in America.

One of my great anxieties in this business is whether, if trouble did come, we should be left waiting as in 1940 in a state of uncertainty. In view of our experience then it would be very difficult to be able to stand up to it again unless there was a definite worked out arrangement for the Western area, together with other assistance, on the basis of collective security to resist the aggressor.

To sum up, we do not believe that there is any substitute for a Treaty if something effective is to be done. A real defence system worked out by the United States of America, Canada, the United Kingdom and the Western European States would affect the whole approach of the world to the peace problem and be the first great step towards what could ultimately become a real world collective Security System, in accordance with the principles of the United Nations.

857.24/4-948 : Telegram

The Ambassador in Norway (Bay) to the Secretary of State

TOP SECRET

OSLO, April 9, 1948—6 p. m.

224. Foreign Minister Lange today sketched for me Norway's deplorable condition arms and matériel stores. Germans had consumed or destroyed previous reserves matériel prior to liberation. Since then

due to requirements reconstruction and particularly foreign exchange shortage Norway unable replenish matériel reserves. Present position worse than normal peacetime.

Lange confirmed my understanding Norway's defense department preparing list of matériel urgently needed in any emergency. Lange asked whether US considering program of arms distribution to European free nations on basis lend lease or otherwise. I told him I was uninformed but my belief that if US finds itself position to supply matériel such action will undoubtedly be on overall basis and to countries determined to defend selves (see Depintel April 6).¹

Replying my further question Lange stated Norway more firm than ever to resist invitation from Soviets along either stronger or weaker lines than recently concluded Finnish pact.

Replying further Lange feels while Norway would hesitate some time to openly join Brussels pact without Denmark and Sweden jointly nevertheless if faced with emergency Norway would go with west alone. Asked his opinion present attitude Sweden Denmark Lange stated belief little change in Sweden and that Denmark while hesitating is moving right direction.

Lange unfolded philosophy of large number Norwegians that in view present uncertainty military help from US and Great Britain increasing armaments in Norway merely gesture since in emergency any counteroffensive by Norway would probably be directed from points outside Norway.

Lange believes Soviets regard Norway as first prize in Scandinavia with available open areas Finnmark for invasion and strategic position Stavanger area including Sola airport as springboard for west.

I asked Lange whether he believes Norway's present show of hesitation to join western European group would influence Russia favorably toward Norway in case of war. He believed under such condition Norway would receive scant consideration from Russia. On other hand he believes no immediate practical advantage openly joining western group in absence defense guarantee from west. Also desirous obtain greatest degree Scandinavian unity which might develop in near future.

My final impression Lange will avoid joining western group pending obvious security advantage. Whenever emergency arises will strike alone for shore if Denmark or Sweden procrastinate and remain aboard obviously sinking ship. Doubtful about Sweden but feels Denmark would likely follow Norway's lead under such conditions.

Sent Department 224, airmailed Copenhagen, Stockholm.

BAY

¹ Not found in Department of State files.

840.20/4-1148

Memorandum of Conversation, by the Acting Secretary of State

TOP SECRET

[WASHINGTON,] April 11, 1948.

(1) The Senator¹ said that, with respect to the program as he understood it, an attempt to get a two-thirds vote in the Congress on a pact involving the type of military guarantees envisaged by the proposals was doubtful and perhaps dangerous at this time. He said that the Congress was anxious to help but that the proposal here was in the nature of an unlimited, open-ended offer of aid to anyone who might reach for it; that in those circumstances he felt (and thought that his Committee was similarly disposed) that a major effect of this, in the light of past experience, would be for the majority of the countries to take one of two lines of action, either to fold their hands and let Uncle Sam carry them, or, secondly, and in his opinion of equal and perhaps greater danger, to let them get a sense of false security which might result in their taking so firm an attitude as to become provocative and give the impression of having a chip on their shoulders.

(2) He recognized fully the necessity for some sort of assurance of aid, but thought that its form must in all events leave the determination to this country as to the circumstances under which we would aid, the type of aid, etc. He repeated the warning that the Senate would not allow a series of automatic incidents to require us to go to war based on the act of two outside parties; that we must always have the right to determine for ourselves when we will act.

(3) I asked whether a literal extension of the Rio provisions would not be acceptable and meet the points he had in mind. He said that he thought it would but that it represented the maximum and that it followed a long history of special associations which were not, as far as I knew, duplicated in Western Europe. I asked whether it would remove the major objections if we were able to treat the North Atlantic area as an extension of the Rio treaty. He said that it might but that he would need to see carefully drawn papers as to the approach.

(4) The Senator agreed that the problem logically divided itself into two parts: (1) the immediate short-term necessity for some reasonable and effective assurance which would not divide Europe into the sheep and goats, and (2) a long-term program which he felt would require the most careful integration with the UN. At this point he referred to a resolution by sixteen Senators for a complete overhaul

¹ Senator Arthur H. Vandenberg.

of the UN veto and other principles.² In his opinion it amounted virtually to a rewrite of the Charter. He said that there had been a full discussion before his Committee with Senator Flanders and Senator Capehart and that, after exposing their complete ignorance of the basic discussions on the necessity for the interim assembly, involving among other things approximately thirty changes in the exercise of the veto, they had agreed to withdraw the resolution or permit its being pigeonholed in the Foreign Relations Committee.

(5) In expanding the subject of a long-range program in some way tied in to the UN concept of collective security, regional pacts, etc., the Senator indicated that he and his Committee had been considering, with groups of Senators who were concentrating their attention on the UN, the possibility of a Senate resolution which might refer to the present situation in the UN, the importance of making that body an effective instrument for the maintenance of international peace, urging the President to give attention to the perfection of certain steps, and dealing with the problem of security in general terms. He said that there was a growing demand for some such action and asked what I thought of it. I told him that, as a curbstone opinion, I thought that such a resolution would fall short of its maximum effectiveness unless it included some reference to the determination of this country to take such steps as might be necessary to bring about the international peace for which the UN was presumably designed. He said he would have to consider this point further. He admitted that it had basic merit but felt it could be dealt with only in general terms. We agreed to consult further on this point. It was my hope, in raising the point, that we could, by the resolution, acquire a degree of backing for a Presidential statement along the lines contemplated by the working paper but with a considerably different slant.

(6) On the subject of immediate steps to be taken, and assuming for the purposes of discussion that the Senator's conclusion as to the frame of mind of Congress was an accurate estimate of the situation, we discussed the possibility of a statement by the President, after discussion with the Congressional leaders, which might approach the matter from two points of view: first, a statement that the countries of Western Europe, particularly the participants in the Marshall Plan, would be well advised to consider, where appropriate, adherence to the Western European Union or a similar mutual defense pact along regional lines. This position to be backed up by a statement

² This was but one of a great many draft congressional resolutions tabled in the 80th Congress, reflective of a widespread feeling then agitating the U.S. public that the United Nations should be strengthened in a variety of ways if it were to meet the needs of the worsening international situation. For documentation-commentary on these matters, see volume I.

which might indicate that the United States would take particular notice, in any help extended, of those countries which [showed] visible and continuous evidence of their firm determination to resist aggression and to perfect common defense machinery on the basis of self-help and mutual aid, and secondly, an invitation from the President to like-minded countries in search of security and peace to discuss with this country measures which might be taken in the UN toward that objective.

(7) The Senator, while cool on the formal guarantee of a pact, showed a willingness to search out and develop a short-term procedure which would back up the efforts of the Western Union and other Western European countries. He mentioned in particular the fact that the announcement might be made that an invitation had been received by the United States to participate in connection with discussions regarding the pooling of military supplies, standardization of equipment, etc., and the announcement of our acceptance of that invitation. He said that Foster Dulles³ had communicated with him about this matter repeatedly and that he would want to discuss with him, as one of the principal experts on the UN drafting committee as well as on this subject, the details of any program for which Senate Foreign Relations approval was requested. I told him that I saw no objection to permitting Dulles to act as his adviser if he chose to consult him and that, subject to appropriate checks, I would affirm the comment to him after we had studied the matter further.

ROBERT A. LOVETT

³ John Foster Dulles, Representative on the U.S. delegation to the Second Session of the United Nations General Assembly, New York, 1947 and frequent delegate or adviser since 1945 on U.S. delegations to the United Nations and other international conferences.

840.20/4-1348: Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, April 13, 1948—3 p. m.

1916. Chauvel¹ told me yesterday afternoon that conversations for military cooperation among the five interested western European powers have been held up in order to get our views before beginning conversations. I told Chauvel that, in my opinion, that was a mistake; that the five powers should proceed with conversations and be in a position to let us know what they could do to help themselves without

¹ Jean Chauvel, Secretary General of the French Ministry of Foreign Affairs

our help. Chauvel said the French would act accordingly, and OK'd endeavor to go ahead with the conversations.

CAFFERY

Department of State Executive Secretariat Files ¹

*Report by the Executive Secretary of the National Security Council
(Souers) to the Council* ²

SECRET
NSC 9

WASHINGTON, April 13, 1948.

THE POSITION OF THE UNITED STATES WITH RESPECT TO SUPPORT FOR
WESTERN UNION AND OTHER RELATED FREE COUNTRIES

THE PROBLEM

1. To assess and appraise the position of the United States with respect to support for Western Union and other related free countries.

ANALYSIS

2. Western Union, for the purposes of this paper, is the organization created by the treaty signed March 17, 1948, at Brussels which includes as charter members France, Great Britain, Belgium, the Netherlands and Luxembourg.

3. A course of action adequate to give effect to the declaration of March 17 by the President of support for the free nations of Europe will require the strongest bipartisan approval so that it will be a truly American policy.

4. The national security of the United States requires that our policy should be, in addition to strengthening the economy of the free nations through the European Recovery Program, to strengthen their determination to resist the aggression of Soviet-directed world Communism, to increase their confidence that they can successfully do so, and to deter the Soviet Union from attempting further aggression by confronting it with concrete evidence of determination to resist and with increasing organized force.

5. Fear of Soviet-Communist aggression is sufficiently strong that many of the free nations of Europe are willing to cooperate in close association, provided they are assured of military support by the United States.

¹ Material retired by the Executive Secretariat of the Department of State, including documentation prepared by the National Security Council, which is located in lot files 58D231, 61D167, 62D1, 63D351 and 66D95.

² This report, based substantially on Policy Planning Staff paper PPS 27/1 of April 6 described p. 78, footnote 1, was approved by representatives of the Departments of the Army, the Navy and the Air Force and of the National Security Resources Board prior to April 13 (note by James S. Lay, Jr., Acting Executive Secretary of the Council, April 13, 1948, not printed, Executive Secretariat files).

6. This assurance should be given on a basis of reciprocal military undertakings which would predicate resolute action on their part, and which should take the form on our part of a firm commitment to extend military and other support (in the President's words to Congress on March 17 "the support which the situation requires") but leave maximum freedom of method compatible with effective assurance of reciprocal support from them.

CONCLUSIONS

7. The United States should not now participate as a member in Western Union but should establish a relationship to it as set forth in the following paragraphs.

8. The Government of the United States, through diplomatic channels, should approach the signatories of the Five-Power Treaty signed at Brussels on March 17, 1948 with a view to ascertaining their views regarding the conclusion of a Collective Defense Agreement for the North Atlantic Area, the details of which are given in subsequent paragraphs, and to securing their approval to extension of the Five-Power Treaty in the manner outlined below.

9. After the approval of the Five-Power Group is obtained, an immediate approach should be made through diplomatic channels to Norway, Sweden, Denmark and Iceland, and (if the results of the Italian elections are favorable) also to Italy, by the United States, the United Kingdom and France, with the consent of the Benelux countries, for the purpose of explaining to them the plan for a declaration by the President on the lines of that recommended in paragraph 10 below, and of ascertaining whether they would be prepared in such circumstances to accede to the Five-Power Treaty in the near future and to enter into negotiations for a North Atlantic Collective Defense Agreement.

10. The President then should make a statement which would include:

a. A declaration of American intention, in the light of the obligation assumed by the signatories of the Five-Power Treaty and pending the conclusion of a Defense Agreement, to regard any action in the North Atlantic Area which the United States considers an armed attack against a signatory of the Five-Power Treaty as an armed attack against the United States to be dealt with by the United States on the basis of Article 51 of the United Nations Charter. Pending agreement upon collective defense measures the United States would determine the immediate measures which it would take individually. The declaration should state that the United States would be disposed to extend similar support to any other free country in Western Europe which acceded to the Five-Power Treaty. If, as a result of the inquiries

referred to in paragraph 9 above, it appears that Norway, Sweden, Denmark, Iceland and Italy, or any of them, do not wish to accede to the Five-Power Treaty at this stage, consideration would need to be given, in the light of the views of each of the above States, to including in the President's statement some assurance to them of immediate support in case of an armed attack against them which they resisted resolutely. In any event, the declaration should be so phrased as to avoid inviting aggression against any other free country in Europe.

b. An announcement that invitations had been issued to the United Kingdom, France, Canada, Norway, Sweden, Denmark, Iceland, the Netherlands, Belgium, Luxembourg, Eire, Italy and Portugal (provided that secret inquiries had established the fact that these countries would be prepared to accept the invitations) to take part in a conference with a view to the conclusion of a Collective Defense Agreement for the North Atlantic Area designed to give maximum effect, as between the parties, to the provisions of the United Nations Charter.

11. Simultaneously with the President's declaration there should be an Anglo-American declaration to the effect that those two countries will not countenance any attack on the political independence or territorial integrity of Greece, Turkey, or Iran, and that in the event of such an attack and pending the possible negotiation of some general Middle Eastern security system they would feel bound to support these States.

12. The Defense Agreement referred to in paragraph 10 should contain the following main provisions:

a. A preamble which would combine some of the features of the preamble to the Five-Power Treaty and make clear that the main object of the instrument would be to preserve Western civilization in the geographical area covered by the agreement. The preamble also should refer to the desirability of the conclusion of further Defense Agreements under Article 51 of the Charter of the United Nations to the end that all free nations eventually would be covered by such agreements.

b. A provision that each party shall regard any action in the area covered by the Agreement which it considers an armed attack against any other party as an armed attack against itself and that each party accordingly undertakes to assist in meeting the attack in the exercise of the inherent right of individual or collective self-defense recognized by Article 51 of the Charter.

c. A provision following the lines of Article III, paragraph 2, of the Rio Treaty to the effect that, until the most effective means of extending joint aid had been agreed upon, each one of the parties shall determine the immediate measures which it will take individually in fulfillment of the obligation contained in the preceding paragraph and in accordance with the principle of mutual solidarity.

d. A provision to the effect that action taken under the Agreement shall, as provided in Article 51 of the Charter, be promptly reported

to the Security Council and cease when the Security Council shall have taken the necessary steps to restore and maintain peace and security.

e. A delineation of the area covered by the Agreement to include: (1) the continental territory in Europe or North America of any party, (2) any territory in Europe occupied by the forces of any party, (3) the islands in the North Atlantic whether sovereign or belonging to any party, and (4) the waters of the North Atlantic and the air over them.

f. A provision for consultation between all the parties in the event that any party may consider that its territorial integrity or political independence is threatened by armed attack or indirect aggression in any part of the world.

g. A provision for the establishment of such agencies as may be necessary for effective implementation of the agreement, including the working out of plans for prompt and effective action under (*b*) and (*c*) above.

h. A suitable accession clause.

i. Duration of 10 years, with automatic renewal for five-year periods unless denounced.

13. When circumstances permit, other countries, such as Spain, Germany (or the Western Zones) and Austria (or the Western Zones), which logically might belong in the Five-Power Treaty Group or in the North Atlantic Area, should be invited to adhere to the Five-Power Treaty and to the Defense Agreement.

14. Military conversations should be initiated in the immediate future with parties to the Five-Power Treaty, with a view initially to strengthening the collective security through coordinating military production and supply.

S40.00/4-1648 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET

US URGENT

LONDON, April 16, 1948—4 p. m.

1584. For Lovett's eyes only from Douglas.

1. Many thanks your 1307, April 14.¹ I discussed the matter ² with Bevin late yesterday afternoon before his departure for Paris. I did

¹ Not printed.

² Douglas was presumably referring here to a discussion with Bevin concerning the Department's view that the more tightly the Five Power Treaty could be implemented, the better the United States would like it. See telegram 1195, p. 78.

not, of course, disclose to him the substance of your conversations with Vandenberg.³

2. I did, however, tell him that if the five-power talks reveal a resolute determination to integrate and coordinate the defenses of the signatory parties to the Brussels pact, we would be prepared at an early date to join in discussions for the coordination of production and supply. I also told him it would be reasonable for him and for the others to attach considerable significance to the President's statement of March 17 in which he said, in effect, it was important that American troops be held in Germany until the peace of Europe was secure.

3. Bevin said the French were disposed to hold back and go slow on the grounds that there was little the five signatory powers could do against the overwhelming strength of the Soviet, unless the US were committed to come promptly to their support. I took it upon myself to explain to Bevin that this was precisely the attitude which, among other things might deter the US from making any commitment; that whatever we did would be conditioned largely upon the clear and unmistakable determination of western Europe to defend itself. With this Bevin agreed completely and said that he would press this point home in his talk with Bidault tonight.

4. As to the language in Bevin's message⁴ delivered to you through Inverchapel, this Bevin had shown me after it had been sent. From my conversation with him then, I was quite clear that he did not mean that the UK would not stand up and fight, but that although she would fight, she would find it impossible to hold out for a period of two years until we came in. He explained yesterday afternoon that this was what he did mean, and gave assurances that although the UK would fight with determination, she was relatively so much weaker now than in 1940, that she could not hope for a successful stand against the Soviet hordes for a protracted period while we were considering whether we would participate actively. Does this cover your point?⁵

DOUGLAS

³ The mention here of more than one conversation, together with the impression created by the casual opening reference to the European union in Lovett's memorandum of conversation of April 11, p. 82, suggests that these men discussed the subject earlier than in the reported meeting. However, no record has been found in the Department of State files of any other substantive discussion of the subject by Lovett and Vandenberg prior to Douglas' reference to the "conversations".

⁴ April 9 telegram, paraphrased p. 79.

⁵ Lovett had expressed the view, in telegram 1307, April 14, that the Department considered Bevin's wording on the subject highly unfortunate, and had requested Douglas to so inform Bevin. In answer to this explanation and final question, Lovett cabled Douglas that the answer was "yes" (telegram 1373, April 16, not printed: 840.00/4-1648).

840.20/4-1748

The Ambassador in the United Kingdom (Douglas) to the Under Secretary of State (Lovett)

TOP SECRET PERSONAL

LONDON, April 17, 1948.

DEAR BOB: I have had several visits with Churchill since my return, the last being on Thursday when he discussed the possibility of war with the Soviet.

You probably know his view, that when and if the Soviet develop the atomic bomb, war will become a certainty, even though by then Western Europe may have become again the seat of authority and a stable political part of the world. He believes that now is the time, promptly, to tell the Soviet that if they do not retire from Berlin and abandon Eastern Germany, withdrawing to the Polish frontier, we will raze their cities. It is further his view that we cannot appease, conciliate, or provoke the Soviet; that the only vocabulary they understand is the vocabulary of force; and that if, therefore, we took this position, they would yield.

You know better than I the practical infirmities in the suggestion. They cover quite a wide range, including the political.

Churchill believes also that if the Soviet try to inconvenience us in Berlin (as they are doing), we should retaliate by insisting upon a careful examination of the crews of every one of their ships putting into our ports, by annoying their shipping and their use of the Suez and Panama Canals, and by any other method which appears to be appropriate.

I, myself, doubt very much the wisdom of this policy, principally because it won't cause enough inconvenience. It seems to me to wave the strand of straw, disguised as a club, would have no effect. On every score the other measures about which we have been talking, if taken reasonably soon, may present to our friends to the east such a demonstration of solidity and irresistible force that we may be able to deter the Soviet and to quash any ideas that they may have. I am inclined to think that such a demonstration, even though the Soviet may ultimately develop—if they have not already developed—the atomic bomb, may deter them.

I think there is much in what Churchill says; that we cannot appease, conciliate, or provoke the Soviet; that we can only arrest and deter them by a real show of resolution. Such a demonstration of deter-

mination combined with the re-establishment of Western Europe as a center of power, may lead to a satisfactory settlement.

Kindest regards and best wishes.

Yours ever,

LEW [DOUGLAS]

840.20/4-1948

*Joint Message From the British Secretary of State for Foreign Affairs (Bevin) and the French Minister of Foreign Affairs (Bidault) to the Secretary of State*¹

TOP SECRET

[PARIS,] April 17, 1948.

You will recall that on the 17th March we informed you that we would be ready with a Benelux representative to discuss with you what further steps might be desirable in the direction of the organisation of further defence arrangements in which the United States might play a part. On the 25th March you replied that you agreed that quadripartite conversations might begin in Washington very shortly.

2. The communiqué published today after our meeting² will have informed you that the five Foreign Ministers reached agreement on the organisation of the Consultative Council and on the early initiation of military conversations.

3. So far as we are concerned, we realise that we must take all possible steps to prepare measures of defence as contemplated in the Treaty and that consequently the machinery created at Brussels must be developed and reinforced in every way. We have therefore made arrangements for military talks to be held in the near future. But it is clear that simultaneously we shall require the assistance of the United States, in order to organise the effective defence of Western Europe which at present cannot stand alone.

4. It seems imperative that the United States should now take an initiative and at least begin the conversations referred to above, if the situation in Europe, of which the recent incidents in Berlin are symptomatic, is not still further to deteriorate.

5. Despite the difficulties which confront the American Administration, we urge strongly that if a favourable opportunity is not to be missed and if a fresh impetus is not to be given to the cause of communism, it is essential to initiate without delay the conversations contemplated by the Government of the United States.²

¹ Transmitted to Lovett by Inverchapel in a note dated April 19, not printed, with the request that it be forwarded to Marshall at Bogotá.

² For text of this communiqué on the first meeting of the Permanent Consultative Council of the Brussels Treaty powers, see Department of State *Bulletin*, May 9, 1948, p. 602.

S40.20/4-1848

Memorandum of Conversation, by the Acting Secretary of State

TOP SECRET

[WASHINGTON,] April 18, 1948.

Participants: Senator Arthur H. Vandenberg
Acting Secretary, Mr. Lovett

The Senator read very carefully our revised paper¹ on Western Union and gave considerable attention to the approach indicated in the three opening paragraphs.

He said that the basic position seems to him to be reasonable; that he realized that a statement by the President without something to back it up from Congress was inadequate and that his only doubt arose out of what he referred to as the consuming jealousy of the House with respect to the Senate in such matters. This comment was made while talking on the point of the initiation of action by the legislative and executive branches "on the same day". He said he felt that this was quite impossible, no matter how desirable, unless the Executive was prepared to take the risk of acting on the Senate Resolution² without similar association with the House. I asked him if he thought it was necessary that the House be involved in this since it was clearly a matter either of a treaty, an agreement, or a pact as the ultimate contemplated purpose of the President's invitations. The Senator replied that, of course, it was a matter for the Senate, but that that would not remove the House desire to "get in on it", particularly since the Senate Resolution would deal with UN problems, and that the House had already had some dozen or more bills introduced for procedural changes in the UN charter.

After considerable discussion on this point, I said that I would like to consult the Departmental advisers before putting this point up to the President, since I felt that it would involve in the last analysis a decision by the President between two risks. While the Senator would not say so, he intimated that he felt we would have to be content with Senate action if we were to get any affirmative statement prior to recess or adjournment before the political conventions.

¹ Presumably a revision of PPS 27/1 and NSC/9. This latest draft not identified in the Department files.

² Reference here is to the proposed Senate resolution considered by Lovett and Vandenberg on April 11. (See Lovett's memorandum, paragraph 5, p. S3.) Following that conversation, the Office of United Nations Affairs (UNA) prepared a draft resolution for use by its Director, Dean Rusk, in his discussion of the subject with Vandenberg on April 16. That meeting (record not found in Department files), and the further discussion between Lovett and Vandenberg on the 18th, suggested refinements and additions for the continuing attention of the principal working-level drafters, Harley A. Notter of UNA and Francis O. Wilcox, Chief of Staff of the Senate Foreign Relations Committee (memoranda by Sandifer of UNA to Lovett, April 19 and 22, 1948, not printed: S40.20/4-1948 and S40.20/4-2248).

On the substance of the recommendations, Senator Vandenberg was prepared to accept paragraphs 1 and 2 in principle if language could be drafted to meet his detailed objections. It was for this purpose that we met again Sunday evening.

In general, his objections to the present language in paragraph 1, subsection 1 of the recommendations, were that the Brussels treaty was not clearly enough drafted at the present time to see what the mutual engagements are and that the Rio treaty went beyond what he felt we should take as engagements in that it permitted majority vote control of member action. He felt that this was unwise and unnecessary when applied to any North Atlantic agreement. He mentioned that it would be difficult enough to back up the President's strong statement contemplated in paragraph 2 (3rd full paragraph thereunder) if, on the one hand, we stated that we reserved the right to determine whether an armed attack had occurred and the immediate measures the United States might take in these circumstances, while the basic regional agreement itself contained the principle of majority vote transposed from the Rio pact. I did not press this point with him but concentrated on the development of adequate and simple language to denote the intent of Congress.

With respect to the 2nd subsection of paragraph 1 of the recommendations, the Senator said that he could not accept language which merely followed the pattern of the Truman statement of March 12 [17] throwing an open commitment to any country in the world which was "free". He objected particularly to the language "to assist *any* free country in Europe, etc." He also thought that the principle of priority of assistance was not impressive or useful compared with the necessity for a direct statement of Congressional intent to become associated with a pact which provided for mutual aid and self-help. He stressed the point that such matters could be dealt with by the Executive branch but that it would be necessary to have the Senate devote its attention to fundamental points only if action was to be obtained.

Accordingly, after considerable discussion and attempts to rewrite, he agreed to the following redrafted paragraphs (under recommendations subsections 1 and 2) to be incorporated in a Senate resolution dealing with the UN problem. The redrafted subsections at present acceptable to him would read as follows:

"(1) Measures to strengthen the UN and increase the security of the free nations should include the progressive development of Regional Arrangements for the maintenance of international peace and security as provided for in the Charter"; and

"(2) The United States is prepared to consider association, on the basis of mutual aid and self-help, with such Regional Arrangements as affect its national security."

In connection with the Presidential statement of intent, the Senator said that he saw no other way of filling the vacuum until a North Atlantic agreement were firmed up, but stressed the point that the President, by such a statement, would necessarily be taking a risk which could only be minimized provided he used the Senate action as his virtual authorization and, in doing so, accepted the risk of House irritation.

On the subject of timing and procedure, the Senator said that he would not handle the matter as implied in recommendation No. 1 as a "Vandenberg Resolution" to be sponsored or introduced by him, but would put the resolution up to his Committee, which he felt would follow him on it, and, without any warning whatsoever, would hope to bring out of his Committee a resolution in the name of the Committee, put it on the calendar, and push for immediate action. In this fashion he felt that he would get the support of the Democratic Congressional leaders and avoid prolonged debate. He expected a challenge from Senator Wherry and the 21 revisionists, but thought it could be handled since the two leaders were already on record as supporting alterations in the UN charter, particularly with respect to veto. He felt that the reporting out from his Committee of a resolution rather than the introduction into the Committee or the introduction of a bill on the floor would be the signal on which we might act.

He expressed concern over the necessity for holding hearings because of the UN aspects of the matter and said that, once they started, every UN pressure group in the country would demand a hearing and it might last indefinitely. He was, therefore, going to consider such other methods of dealing with it in Committee as offered any promise of avoiding prolonged discussion. I explained that we had not perfected the mechanics of operation to the point where we had a given act in mind in indicating that the legislative and executive branches should proceed simultaneously. The Senator kept coming back to the statement "on the same day" and I told him that it was my impression that that was meant to indicate agreed timing rather than to be taken literally, the main purpose being to avoid, on the part of either body, any political maneuver to take a temporary advantage of this somewhat dramatic step. I pressed this point by saying that it was reasonably to be hoped that the Presidential advisers would urge him to sound off first, while I was confident that the Senator would have to withstand the same inner temptation. In these circumstances it seemed vital to us to have an undertaking in advance rather than to compete in a matter of such cardinal importance.

In the statements in the memorandum on page 2 of matters which the Presidential statement might include, he objected to paragraph 2

on the grounds that it again set the treaty of Rio as a pattern and that he could not agree to this for the reasons heretofore mentioned. He recommended that the language be amended to read as follows: "It should *generally* follow the *basic* lines of the treaty of Rio." I told him that I felt that this was the intent as we certainly would not wish to incorporate into a North Atlantic pact all of the provisions of Rio.

The only serious difference of opinion with the Senator came up in connection with numbered paragraph 3. The Senator said he thought that was unwise because the language went further in the Middle East than it did in the North Atlantic with, as the Senator put it, less to back it up. The language he specifically objected to was, "The two countries would not countenance any attack on the political independence, etc." He said that we had already made our intentions adequately clear, in his view, with respect to Greece and Turkey but not on Iran; that what we and the U.K. proposed to state was that we would underwrite those three countries when, as he recalled it, it was manifest that there was little or nothing we could do to help Iran because of her geographic position except through the input of supplies well in advance.

After much discussion, he agreed that we could not be put in the position of inviting aggression against these countries by ignoring them but he did not think the position in this working paper was proper and felt sure that it went beyond what the proposed Senate Resolution would cover. He recommended that we try to bring it back into the intent expressed in the Senate Resolution, if necessary by taking advantage of the Greek-Turkish discussions³ which he understood were progressing on the basis of some mutual aid or defense arrangements. I did not press this matter but agreed to have it reconsidered.

The time table agreed upon between us was that he would endeavor to perfect the Senate Resolution during the balance of this week and take such advance readings as he could of the possibility of prompt action. We, in the meanwhile, were to provide him by Tuesday night or Wednesday morning with the additional paragraphs needed in the Senate Resolution on UN which he had discussed with Dean Rusk. These paragraphs should include statements regarding (a) voluntary procedural changes in veto, etc., and (b) some treatment regarding Chapter VI which is better and more understandable than the position taken by the United States in the Interim Assembly hearings. It is his present feeling that all of Chapter VI should be covered by

³ For documentation on United States economic and military aid to Greece and Turkey, see vol. IV, pp. 1 ff.

a veto waiver, as he found it impossible to see why we skipped three articles relating to the peaceful settlement of disputes. I was not able to answer the point but agreed to have the UN section of the Department explore the matter and proceed as rapidly as possible with Vandenberg's staff. Messrs. Notter, Johnson and Sandifer have been notified of this by me.

ROBERT A. LOVETT

710.J/4-2048: Telegram

The Acting Secretary of State to the Secretary of State at Bogotá

TOP SECRET

WASHINGTON, April 20, 1948—5 p. m.

Telmar 93. For the Secretary's eyes only. Talks on Atlantic security with British and Canadians which you authorized shortly before your departure resulted in agreed recommendations, subject to bipartisan approval here, for negotiation of regional defense agreement for North Atlantic area generally along basic lines of Rio treaty. Forrestal and NSC consultants have approved it.¹ With President's approval I have had two long talks with Vandenberg and have his substantial agreement to following procedure subject to your approval and final clearance by President.

1. Foreign Relations Committee to report out resolution stating *inter alia* sense of Senate that "measures to strengthen the United Nations and increase the security of the free nations should include the progressive development of regional arrangements for the maintenance of international peace and security as provided for in the Charter" and that "the US is prepared to consider association, on the basis of self-help and mutual aid, with such mutual regional arrangements as affect its national security."

2. The President subsequently to announce issuance of invitations to U.K., France, Canada, Norway, Sweden, Denmark, Iceland, Netherlands, Belgium, Luxembourg, Eire, Italy and Portugal to a conference to conclude regional defense agreement for the North Atlantic area (to be presented for ratification at next session). He would announce US conception of such agreement as being based on Art. 51 of Charter and designed to strengthen UN; generally following basic lines of Rio; designed to strengthen determination of free nations to resist aggression and increase their ability to do so; each party determining for itself whether act of aggression had occurred and measures it would individually take until collective action agreed. He would in-

¹ Reference here is presumably to NSC 9, p. 85, or less specifically to the State Department's general recommendations for negotiation of a North Atlantic defense agreement.

clude reference to desirability of additional free Western European nations adhering to Brussels treaty an expression of willingness to participate in military conversations with parties to it concerning coordinating military production and supply. President would include declaration of US intention, in light of obligations assumed by signatories of Brussels 5-Power treaty and pending conclusion of Atlantic Agreement, to regard an armed attack on signatory of Brussels Treaty as attack on US to be dealt with under Art. 51, US to determine whether attack had occurred and what steps US would take. Declaration would be so phrased as to avoid inviting aggression against any other free country in Europe.

3. Simultaneously similar but less categoric Anglo-American Declaration of intention would be issued with respect to possible armed attack against Greece, Turkey or Iran.

President's declaration would necessarily be preceded by discussions with British, French and Benelux representatives here (which would be those envisaged in your reply of March 25 to Bidault and Bevin and for which Bidault is so anxious) to outline above procedure and secure their agreement to adherence of Scandinavians, Iceland and Italy to Brussels treaty, and by inquiries to these and other Atlantic area Governments as to whether they would accept invitation to negotiate such Atlantic agreement.

French and Benelux have not been advised of US, British and Canadian talks or subsequent developments due to danger of leakage before final clearance. I hope it will be possible to talk to them next week in view both of Bidault's anxiety and need for subsequent approaches to other Atlantic nations before Foreign Relations Committee acts.

LOVETT

758.00/4-2148 : Telegram

The Ambassador in Sweden (Matthews) to the Secretary of State

SECRET

STOCKHOLM, April 21, 1948—6 p. m.

500. Conversations with people in various walks of life have increasingly brought home to me that one of the principal factors in Sweden's stubborn adherence to a policy of strict neutrality is the firm belief that regardless of this policy the US will ultimately come to Sweden's military aid. This is based partly on an exaggerated view of the strategic importance of Sweden to the US and partly on the complacent assumption that since Swedish sympathies are all with the west the US must regard her as an ally to be helped. The Foreign Office and the general public both even believe that by constantly

proclaiming Swedish neutrality Sweden is in fact rendering a service to the US by "doing nothing to upset the tranquillity of this area".

On the other hand as I have briefly reported there are growing doubts of the practicability if not the advisability of this neutrality policy. These doubters are still a small minority but they are not without influence and when and if Soviet control of Finland follows the general lines if not the tempo of the Czech pattern this minority will grow stronger.

I desire therefore to reenforce the recommendations contained in mytel 472,¹ April 14, 6 p. m., that no export license be given for Swedish radar ground warning stations and that the Swedes be told the reason. It would also help considerably if the Department could find means of giving some blunt and salutary advice to Swedish Embassy along following lines: (1) The US has not forgotten Swedish neutrality; we do not like neutrality and we do not regard Sweden as a "western ally". (2) Americans resent Swedish failure in official statements to distinguish in any way between the character and purposes of the "two great power blocs". (3) Sweden's failure to show any desire for closer political association with other free nations of the west involves in our opinion great risk for Sweden. Primary reason why the Soviets staged the Czech coup and has forced the Finnish treaty is that the Kremlin calculated—and accurately—that this would not involve the Soviet Union in war with the US; a primary reason why the USSR has not forced the issue in Turkey, Italy, Germany, Austria, Greece or Iran is because Kremlin fears a move in those areas would produce conflict with the US since all in one way or another are identified closely with US policy. The Kremlin may well feel that since Sweden is neutral it could move against Sweden without producing a major conflict. Hence by clinging to neutrality Sweden is running a grave risk. If this risk is based on the premise that American military aid at the last moment will be forthcoming this may prove to be a tragic and costly mistake for Sweden.

I believe that in our thinking and in our policy we should carefully distinguish between "neutral" Sweden on the one hand and Norway and Denmark on the other. Any gestures of aid to the latter coupled with refusals to aid Sweden will help shake Swedish neutrality. As I have said before there is no danger of Sweden veering toward the east or that such a policy on our part will undermine at this stage the Swedish will to resist.

Sent Department 500; repeated Paris as 136, London as 142, by mail to Oslo, Copenhagen.

MATTHEWS

¹ Not printed.

FW 840.20/4-2248

*The Secretary of State to the French Minister of Foreign Affairs
(Bidault)*¹

TOP SECRET

[WASHINGTON, drafted April 21, 1948.]

Thank you for your message of April 13² and that of the 17th which Mr. Lovett has just communicated to me.

I fully agree on the desirability and urgency of coordinated planning to meet possible emergencies. The present tripartite talks in London on Germany will provide an opportunity to discuss the current situation and its implications.

I hope you have no doubt in your mind as to the intention and determination of this Government in relation to the free countries of Europe. The President has, I believe, made that entirely clear. It is vital, I feel, to the success of the aim we all have in mind that any assurances from this country on this matter have maximum countrywide support and backing of the Congress. As you know, this is a complicated matter but Mr. Lovett advises me he is making good progress in preparations for Washington conversations with Bonnet, Inverchapel and a Benelux representative. I hope to be able by next week to suggest a definite date. The farther along we can get with the preparations for these conversations here and the farther the Parties to the Five-Power Treaty can go in implementing its terms through the permanent military machinery being established in London, the more effective our collaboration will be.

[File copy not signed]

¹ This message was enclosed with a note to Bonnet dated April 22, not printed, requesting that he transmit it to Bidault (840.20/4-2248). A similar note, differing only in its omission of the reference to Bidault's message of April 13, was directed to Inverchapel on the same date for transmission to Bevin (not printed: 840.20/4-2248); also on November 22, it was quoted in telegrams to the American Ambassadors in Paris, London, Brussels and The Hague: none printed (840.20/4-2248).

² Not printed.

840.20/4-2248

*The British Ambassador (Inverchapel) to the Acting Secretary
of State*

TOP SECRET

WASHINGTON, April 22, 1948.

DEAR BOB: I naturally reported to Mr. Bevin the substance of our conversation on the 19th of April, when the French Ambassador and I called upon you to deliver the message from Mr. Bevin and M. Bidault to Mr. Marshall on the subject of Western European defence and security. In my report I gave due weight to your emphasis upon

the importance which the United States Administration attach to receiving early and tangible evidence that the signatories of the Five-Powers Treaty are making real progress with their own military planning.

I am now asked by Mr. Bevin to assure you that the British Government fully understand that the five Powers must make every effort to proceed rapidly on the basis of the recent Paris agreement.¹ The British Government are hopeful indeed that a decision to hold immediate staff talks may be taken in the course of the next few days. There is, of course, a lot of ground to be covered and Mr. Bevin fears that it may be physically impossible to have ready even a preliminary answer to the various questions which you raised before ten days or even a fortnight from now. But I am asked to assure you that the British Government fully grasp the necessity for producing some document as early as is humanly possible and that, although they cannot promise this, they think that there may be some chance of sending you something which would be of real use to you at an early stage of the proposed quadripartite talks in Washington.

ARCHIE

¹ Agreement reached April 17 by the Foreign Ministers of the Brussels Treaty powers concerning organization of the Consultative Council and the early initiation of military conversations. For provisions of the agreement, printed from telegraphic text of communiqué published by the French Foreign Ministry April 18, 1948, see Department of State *Bulletin*, May 9, 1948, p. 602.

840.20/4-2348

The Director of the Policy Planning Staff (Kennan) to the Executive Secretary of the National Security Council (Souers)

TOP SECRET

WASHINGTON, April 23, 1948.

DEAR ADMIRAL SOUERS: NSC-9 of April 13, 1948, regarding the problem of support for Western Union and Other Related Free Countries, is based on a Department of State working draft and was approved on the consultant level. This paper is receiving continuing study in the Department. It was discussed at the meeting of the National Security Council on April 22, 1948.

There is enclosed, for the consideration of Council members, a suggested revision of paragraphs 8 to 14 inclusive of NSC-9. The revision, reduced to three paragraphs, 8 to 10 inclusive, involves little change in substance.¹

¹ This revision, *infra*, was incorporated without change in NSC 9/1 of April 23. NSC 9/1, otherwise identical with NSC 9, was not considered by the Council because, at the request of the Department of State, it was replaced by NSC 9/2 of May 11.

There also is enclosed, for the information of Council members, a paraphrase of a recent telegram from Mr. Bevin ² which contains his views on the problem.

Sincerely yours,

GEORGE F. KENNAN

[Enclosure]

SUGGESTED SUBSTITUTE PARAGRAPHS TO REPLACE PARAGRAPHS 8 TO 14
INCLUSIVE IN NSC-9

8. Strong bipartisan approval of the course of action outlined in the following paragraphs would be indicated by the inclusion in a Senate resolution, which could be reported to the Senate by the Foreign Relations Committee, of an expression of the sense of the Senate that:

“(1) measures to strengthen the United Nations and increase the security of the free nations should include the progressive development of regional arrangements for the maintenance of international peace and security as provided for in the Charter,

(2) the United States is prepared to consider association, on the basis of self-help and mutual aid, with such regional arrangements as affect its national security.”

9. The President subsequently would announce, with reference to the resolution and to the paramount effect of the security of the North Atlantic area upon the national security of the United States, that invitations had been issued to the United Kingdom, France, Canada, Norway, Sweden, Denmark, Iceland, The Netherlands, Belgium, Luxembourg, Eire, Italy, and Portugal (provided that secret inquiries had established the fact that these countries would be prepared to accept the invitations) to take part in a conference with a view to the conclusion of a collective Defense Agreement for the North Atlantic area. (Owing to the comparatively short time left before adjournment of the present Session of Congress, it will not be possible to present such an agreement for ratification until next session).

He would state the United States conception of such an agreement as being that:

(1) it should be within the framework of the Charter and specifically designed to strengthen the United Nations by being based: (a) on effective collective measures to prevent and remove threats to the peace and to bring about settlement of international disputes by peaceful means (Article 1); (b) on the obligation to refrain in international relations from the threat or use of force against the territorial integrity

² Reference here is presumably to the joint message of April 17 from Bevin and Bidault, p. 91. The paraphrase is not printed.

or political independence of any State (Article 2); and, (c) on the inherent right of individual or collective self-defense against armed attack (Article 51);

(2) it should be based upon self-help and mutual aid;

(3) it should be designed to strengthen the determination of free nations resolutely and collectively to resist aggression and to increase their ability to do so;

(4) it should generally follow the basic lines of the Treaty of Rio de Janeiro in providing that an armed attack upon any party would be considered an armed attack against all;

(5) each Party should determine for itself whether an act of aggression has occurred and the measures it would individually take pending agreement on collective measures, and

(6) it would provide for consultation whenever any Party considered that its political independence or territorial integrity was threatened, or whenever any Party considered that any action or policy of any nation, whether or not a Party to the Agreement, constituted a threat to the peace.

In his declaration the President would include a statement that the Five-Power Treaty also affected our national security and that, in the light of the obligations for mutual aid and self-help already assumed by its signatories, and pending the conclusion of the Defense Agreement, an armed attack in the North Atlantic area against a signatory of the Five-Power Treaty would be regarded as an armed attack against the United States to be dealt with by the United States under Article 51 of the United Nations Charter. The United States would determine for itself whether such an armed attack had occurred, and, pending agreement upon collective defense measures, the immediate measures which it would take individually. The declaration would refer to the desirability of additional free nations in Western Europe adhering to the Five-Power Treaty and state that the United States would be disposed to extend similar support to such nations which did so. It would be so phrased as to avoid inviting aggression against any other free country in Europe.

The President would include an expression of willingness to participate in military conversations with the Parties to the Treaty with a view to strengthening collective security through coordinating military production and supply.

10. Simultaneously with this declaration an Anglo-American declaration to be made to the effect that, pending the possible negotiation of some general Middle Eastern security system, the two Governments consider that an armed attack on Greece, Turkey or Iran would affect their own national security and consequently would bring immediately into effect, so far as the two Governments were concerned, the obligations imposed by the Charter of the United Nations for the maintenance of international peace and security and the right of collective self-defense provided by Article 51.

If the actions recommended above are approved, diplomatic approaches must be made between the time the resolution is introduced and the date of the President's declaration: (1) to the signatories of the Five-Power Treaty concerning adherence of additional States to it, (2) to the governments listed in paragraph 9 above concerning the proposed North Atlantic agreement and, in the cases of Norway, Denmark, Iceland, Sweden and Italy, concerning adherence to the Five-Power Treaty, and (3) to the British Government concerning the declaration recommended in paragraph 10 above.

710.J/4-2348 : Telegram

The Secretary of State to the Acting Secretary of State (Lovett)

TOP SECRET

BOGOTÁ, April 23, 1948—midnight.

Martel 89. Personal eyes only for Lovett from Marshall. Re your Telmar 93. I am in agreement with the procedure you recommend. Ridgway¹ questions the desirability in paragraph 2 of publicly expressing willingness to participate in military conversations and recommends omitting the words "and expression of willingness" and so on to the end of the sentence, on the grounds that it might lessen US public support and increase the chance of precipitating hostile armed reaction. He feels such conversations could be held secret, initially on a bilateral basis, with a reasonable chance of preventing leaks. At first blush, I am inclined to agree with Ridgway.

Armour² and I are of the initial opinion that paragraph 3 involving Greece and Turkey or Iran should not be included at this time. In the first place it seems to us that a regional arrangement which includes the US is rather difficult to justify in this area. Second, it tends to spread our sphere of activity over far too widespread an area. In other words, to involve the danger and the invitation for a dispersal of our forces when concentration appears to be the wisest cause especially in view of our present limitations. Thirdly, we are already doing a great deal in a military way for these countries, except Iran, and I see no compelling reason for being pressured into dangerous efforts, concurrently with our Atlantic discussions.

The foregoing are not fixed opinions but indicate my present thinking. If the matter can wait until I return, I suggest we discuss it at more length then.

I now plan confidentially to arrive in Washington Saturday morning.³

MARSHALL

¹ Lt. Gen. Matthew B. Ridgway, U.S. Army, member of the U.S. delegation to the Ninth International Conference of American States at Bogotá.

² Norman Armour, Assistant Secretary of State for Political Affairs, member of the U.S. delegation at Bogotá.

³ Marshall arrived in Washington April 24 at 9 a. m.

S40.00/4-2448 : Telegram

The Chargé in Belgium (Millard) to the Secretary of State

SECRET

BRUSSELS, April 24, 1948—4 p. m.

831. Reference five power Brussels pact, Spaak seemed satisfied with conversations already taking place Hague and fairly optimistic meeting Finance Minister[s] here on April 28 and 29 would have beneficial results.

Re five power military conversations in London he said they would begin end this week and he seemed optimistic. I said farther five powers go in implementing military terms treaty more effective our collaborations will be and asked whether five would get down to brass tacks and discuss arms standardization, strategic plans and defense assignment duties to participants. He said he believed they would and hoped US would send observer. Re US support he repeated his public and private statement that he considered President's statement in address to Congress constituted guarantee. He understood Bonnet and Inverchapel had made approach to Department with view further pronouncement by President. As he had explained to Department and members of Senate and House should Russia make war it would be against US not Europe though attack would in part at least be through Europe which consequently was US first line of defense. Accordingly US had same interest in arming Europe that it did in arming its own forces which in first instance would constitute second line of defense.

Spaak repeated that US guarantee should cover all free nations of Europe as reference to five powers alone could endanger others, particularly Scandinavia.

MILLARD

501/4-2748

Memorandum of Conversation, by the Under Secretary of State (Lovett)

TOP SECRET

[WASHINGTON,] April 27, 1948.

Participants: Secretary Marshall
 Senator Arthur H. Vandenberg
 Mr. John Foster Dulles
 Under Secretary, Mr. Lovett

The first part of the discussion was devoted to background fill-in for the Secretary and Mr. Dulles and the matter of broad decision was postponed until the various details of the United Nations problem involved in any Senate resolution were considered.

Apart from the mechanics in the UN Charter itself, Senator Vandenberg felt increasing concern about the possibility of his Committee bringing out a resolution on the lines previously discussed, feeling that any such resolution would immediately be subject to amendment and that it was quite likely that Senator Wherry, Senator Brewster, and some of the others might try to tack onto it amendments relating to Palestine. He said that he regretted that the political considerations were becoming increasingly difficult to deal with as the conventions¹ approached and indicated some doubt as to whether he could get the desired resolution through the Senate, even assuming that his Committee reported it unanimously.

In this connection, he asked me to see Senator Walter George, as the senior Democratic member, and find out if he was still opposed to "military ERP" as he had expressed himself several days ago. I agreed to undertake this as soon as we could get the program in a little better shape. I was directed by the Senator to approach Senator George with two basic arguments: (1) the matter of doing something about the flood of United Nations resolutions in the Senate; and (2) the position in which we found ourselves as a result of the appeals to us for arms and assistance for Western Europe which required some answer inside the UN if possible, and how he felt about military aid along ERP lines.

On the broad policy matters covered by the amended paper,² which were carefully considered, the Senator indicated an important change in the tactics heretofore under consideration. He had obviously given considerable thought to the paper and raised two objections which he felt were of cardinal importance:

First, we should not be in the position of inviting countries to come to us with their shopping lists, because if we did we put ourselves in the position of a second Soviet trying to set up another string of satellites; and

Second, we were shooting at the problem with a shotgun instead of a rifle and were trying to blanket too much of the world in a so-called regional pact which neither geographically nor politically could be adequately supported by arguments.

With respect to the North Atlantic area countries, the Senator pointed out the importance of trying to bring Scandinavia in in some way as that had great vote appeal in the Senate because of the considerable areas of the country involving high proportions of Scandinavian voters.

¹ National Democratic and Republican conventions.

² Reference here is presumably to NSC 9/1 with its revision of paragraphs 8-14 of NSC 9. See p. 101.

Dulles challenged the basic paper on somewhat the same grounds and it was interesting to see his objections coincide with those of the Senator without any prior discussions. In fact, Dulles had high-spotted his views before the Senator's arrival. Dulles's feeling was that, in any approach we make to the problem, we must have three things in the front of our minds:

First, we must under no circumstances be in the position of inviting people to come to us with requests for arms or military guarantees:

Second, in any program of association with an area group justified geographically and economically, we must make it clear throughout that we are talking about an association of free peoples who must give continuous and visible evidence of their maximum efforts to take care of themselves on the basic principles of ERP, providing in the undertakings some method whereby, if they become Communist, they are automatically stricken from the group; and

Third, the agreement should also be designed to further the basic concept of ERP to the end of ultimate union or fusion among the Western European countries. He emphasized that any attempt to freeze the Western European countries in their old habits of thought, association and economics would be futile and, in his opinion, against our national interests.

After a great deal of discussion, Vandenberg and Dulles, who were frequently on different sides of the points considered, agreed that the idea of a so-called regional pact as the formula accepted by the President in his role of host was a great mistake. They pointed out that the regional pact system involved Articles 52, 53 and 54, whereas our approach was based for the most part on Article 51. They pointed out further that the ganging up principle of a regional pact would be unfortunate at this time since it might tend to create a series of regional pacts scattered around the world which would give grounds for the accusation that we were trying to destroy the United Nations by a multiplicity of collective security arrangements rather than a centralized one.

On the matter of not issuing the invitation, the Senator, the Secretary, and Dulles were in full agreement. Among other arguments advanced in addition to those mentioned above was the feeling that this would reduce the likelihood of the step being provocative by having the five power signatories merely seek to become associated with sources of supply and assistance in the Western Hemisphere. Later in the discussion Senator Vandenberg supported vigorously the concept of the "limited and natural" regional arrangements and indicated that he would be prepared to have the Senate resolution support some such formula. There was unanimous agreement that the United States should not be in the position of taking any engagement for assistance of any sort which would be automatically brought into

being by the act of someone else. It was pointed out that the present draft gave full protection in that respect, but Dulles in particular, and later the Senator, said that they thought the proposed statement by the President of interim action by this country under Article 51 went unnecessarily far and was undesirable if the Senate resolution contained proper language.

Several alternatives were proposed and discarded and it was finally agreed that the Department would endeavor to produce two papers—first, a draft resolution which would “fit on one page”. The Senator said he understood that he was already known at the working level as “one page Vandenberg”, but that he was alarmed at the verbose drafting of the State Department, and offered as proof that the main points could be stated briefly and clearly a resolution he himself had typed.

The second paper was to be a revision of the recommendations heretofore proposed to produce the following steps:

- (1) A resolution to be requested of the Senate Foreign Relations Committee by this Department;

- (2) Following such a resolution and, upon completion of Senate action, the Department to arrange for the five power signatories of the Brussels Pact to ask this country to consult with them on matters affecting international peace and security; and

- (3) Upon receipt of this invitation, the President to announce, in effect, that this country was prepared to accept an invitation to consider association on the basis of self-help and mutual aid among the European participants with such regional arrangements as affect its national security.

The consensus was that it would be desirable to have the Brussels Pact countries invite Canada at the same time and it was hoped that they would also invite to such a consultation Greenland (Denmark), Iceland, Norway, the Brussels Pact countries, and perhaps Portugal, although great doubt was expressed as to the desirability of this step. All felt that the inclusion of Italy, unless it had theretofore become a member of the Brussels Pact, would be a mistake since it would destroy the natural geographic basis of the North Atlantic area. It was suggested that the North Atlantic area might be more narrowly defined by a title referring back to the wartime western approaches agreements. General Marshall suggested that we look those up. I was directed to have the Department of State, prior to any further firming up of procedures involving the regional pacts, get the transcript of debates between Vandenberg and the Egyptian delegate at San Francisco, Mr. Hassan Pasha, on the subject of regional pacts.

Dulles and Vandenberg both thought that this country had taken certain positions defining a regional pact, and mentioned particularly

that it was the Monroe Doctrine and the Act of Chapultepec which had been in their minds in the comments made on regional pacts and that some ingenuity was used in order to make possible the extension of the regional pact system to Central and South America. Dulles stated that the justification for this was a clear historical association of over 125 years; that such association in the North Atlantic did not exist as far as he knew, and he felt that we should check back over the debates as well as explore the suggestion made by the Secretary on the western approaches. It was the Secretary's recollection that both in World War I and World War II there were some arrangements made with respect to the protection of this area, notably involving Iceland in the second World War. It was his recollection that Britain had had some arrangement in the first World War for naval refueling or similar services.

The paragraphs dealing with Greece, Turkey and Iran were still not acceptable, largely because of the inclusion of the Middle East regional pact idea. It was the general feeling that this country, already being involved in Greece and Turkey, would need little more to indicate its continuing interest. In the case of Iran, they felt that there was not much we could do and that an undertaking along the lines contemplated would be an empty gesture on which we might be called and thereafter disclose our inability to make good. There was no disagreement as to the desirability of finding some method to indicate that we were going to stay in the picture but no one felt happy in the solution presently offered.

ROBERT A. LOVETT

840.20/4-2948

*Memorandum by the Director of the Policy Planning Staff (Kennan)
to the Secretary and Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] April 29, 1948.

As you know, I came in late on the work which is being done on "Western Union". I have now had a chance to familiarize myself with the problem and I wish to give you my thoughts on the subject. I have discussed the matter with Bohlen;¹ and the following may be taken as substantially his views as well as my own.

I believe that the appeals from Bevin and Bidault spring primarily not from a worry about whether we would be on their side in the event they are attacked by Russia, but from their feeling that we do not have any agreed concept between ourselves and themselves as to

¹ Charles E. Bohlen, Counselor of the Department of State.

what we would do in the event of a Russian attack, and particularly what steps, if any, could be taken to save the continental members of the Brussels Union from the dual catastrophe of Russian invasion and subsequent military liberation. I suspect that their fears on this account have been heightened by reports of the attitude prevailing in some parts of our military establishment and of the U.S. press to the effect that there would be absolutely no point in our considering any plans for stopping or delaying a Russian advance anywhere in Western Europe, since the Russians "have the capability of overrunning all of Europe and the Middle East".

If this analysis is correct, what the Western Europeans require from us is not so much a public political and military alliance (since the very presence of our troops between Western Europe and the Russians is an adequate guarantee that we will be at war if they are attacked) but rather realistic staff talks to see what can be done about their defense.

The time may come for us to proceed with the sort of thing which has been under discussion this week with Senator Vandenberg and Mr. Dulles. I do not think that it has come yet; and I fear that to advance along these lines before we have gone into the military realities may not only fail to achieve our main purpose of giving the Western Europeans an adequate sense of security but may even open up rifts among the Western Europeans which would be highly undesirable at this moment.

I think the Congressional resolution is all right and can come at any time; but before we proceed with the rest of the program I think we might better examine the possibility of

(a) sending someone to Europe for exploratory staff talks with the Western Europeans with a view to seeing what can be done about coordination of military measures in the event of war with Russia, and

(b) taking further exploratory soundings on the political level in Europe to find out more about the views of other European countries whose participation is envisaged in our present program.

At the same time, I think we might urge upon our own military establishment the desirability, from the immediate political and psychological standpoint, of convincing the Western Europeans that we have not made up our minds to complete defeatism with respect to Western Europe and are willing to explore with them all serious suggestions as to how a Russian advance could be at least delayed and impeded in the early stages and possibly eventually halted at some point or another.

GEORGE F. KENNAN

740.00119 Control (Germany)5-448

The Director, Plans and Operations Division, General Staff, United States Army (Wedemeyer) to the Secretary of State

TOP SECRET

WASHINGTON, 4 May 1948.

DEAR MR. SECRETARY: Immediately prior to departure for Bogotá, General Ridgway informed me that he had been conducting limited exploratory discussions with the French Military Representative¹ to the United Nations. General Ridgway indicated that he was conducting these discussions with your cognizance and approval. He stated further that inasmuch as he was scheduled to attend the Bogotá Conference, he requested that General Bradley² suggest one officer to continue the discussions. I was designated to meet with the French General whom I identify as Mr. Ward. No member of my staff is aware of Mr. Ward's identity or the purpose of his visits.

He has visited my office on three occasions. He did practically all of the talking and indicated his views concerning French capabilities. Throughout our discussions I emphasized that I was instructed to explore the situation in a very general way. However, on the last visit, Mr. Ward was very anxious to be specific and to elicit definite information concerning future American-Franco collaboration. Mr. Ward was particularly interested in acquiring equipment for French air and ground units. I made it clear that I was not authorized to consider such matters.

General Bradley has been kept informed.

Upon his return from Bogotá, General Ridgway visited me and I explained that I had held three meetings with Mr. Ward in each instance at his, Mr. Ward's request. Mr. Ward wanted to plan specifically for military commitments on the part of France and of the United States. I told General Ridgway that I indicated to Mr. Ward that I was only making exploratory examination of the French capabilities under various premises. I emphasized the need for security and Mr. Ward appeared to understand.

General Ridgway sent today (May third) by officer courier, the enclosed note to me forwarding also a letter³ addressed to you. As you will note in General Ridgway's letter, Mr. Ward requested that I open and read the letter, and insure that it is delivered to you. In compliance with Mr. Ward's request, I have read the letter and am now forwarding same to you.

¹ Lt. Gen. Pierre Billotte.

² Gen. Omar N. Bradley, Chief of Staff, U.S. Army.

³ General Ridgway's note transmitted a letter of April 29 from Robert Schuman, the French Foreign Minister, to Secretary of State Marshall concerning the urgent need to reach a strategic agreement as soon as possible. (740.00119 Control (Germany)/5-448)

I have passed on to General Bradley the above information and showed him Mr. Ward's letter. General Ridgway stated in his initial instructions that I should keep General Bradley completely informed in the premises.

A. C. WEDEMEYER
Lieutenant General, GSC
Director, Plans & Operations

*Statement by the Secretary of State Before the Foreign Affairs
Committee, House of Representatives, May 5, 1948*

[Extract]¹

The United States is acutely aware that the return of a sense of security to the free nations of the world is essential for the promotion of conditions under which the United Nations can function. The necessary steps for self protection against aggression can be taken within the Charter of the United Nations. The Charter recognizes in Article 51 the right of individual and collective self defense against armed attack until the Security Council has taken the measures necessary to preserve peace and security. Articles 52, 53 and 54 provide for regional arrangements dealing with the maintenance of international peace and security, on condition that such arrangements are consistent with the purposes and principles of the Charter.

In recognition of the possibility foreseen in the Charter that an armed attack might occur upon a Member of the United Nations, despite the binding obligations accepted by every Member to refrain from the threat or use of force against another state, the United States and the other American Republics concluded at Rio de Janeiro last year a treaty for individual and collective self-defense. Certain countries of western Europe likewise have organized themselves into a Western Union, for their individual and collective self-defense. By such arrangements under Article 51 of the Charter and the Articles providing for regional arrangements, constructive steps have been taken to bulwark international security and the maintenance of peace. Our intention to afford encouragement and support to arrangements made by free nations for the preservation of their independence and liberty has already been stated by the President in his message to the Congress on March 17th.

¹The following paragraphs referring to the security of Western Europe are part of a statement regarding means of strengthening the United Nations. For text of complete statement, see volume I.

840.00/5-548 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, May 5, 1948—4 p. m.

2394. Teitgen¹ is pleased with the result of the recent military conversations at London. As told to me, "a four story edifice was set up. On the top floor are the National Defense Ministers; the third floor has the Chiefs of Staff; the second floor, the Ambassador's Committee at London with a permanent Secretariat under a Dutch secretary; the first floor, committee of special military representatives at London under an English secretary".

They would like to have an American observer on that committee. The special committee has been instructed to draw up reports along the lines of Lovett's advice to the British and French Ambassadors at Washington, using similar methods to those employed for the Marshall Plan (setting out what they have and what they need).

Sent Department 2394; repeated London 352; Brussels 57; Hague 23.

CAFFERY

¹ Pierre Henri Teitgen, French Minister of Armed Forces.

758.00/5-1048

Memorandum of Conversation, by the Ambassador in Sweden (Matthews)

SECRET

[STOCKHOLM,] May 5, 1948.

I called on Mr. Grafström¹ this morning on certain specific matters and then asked how he felt about the present situation in Europe. He said that he was not very happy about it. As to Finland, things seemed quieter for the moment but he did not know how long that would last. He believed the stories that there had been some attempt on the part of "Left Wing" Communists—if there is such a thing—to precipitate a coup, but the government apparently took strong measures to prevent it. It was just possible he thought that the Russians might leave Finland alone for a while though he admitted that this might be partly wishful thinking. I said that I did not see why the Soviet Government should have brought all that pressure to bear to obtain a treaty and then not utilize it. I asked if he thought the Finnish Communists would lose ground if free elections were held in July and he replied in the affirmative. In that case, I said, it seemed to me that the Soviet

¹ Sven Grafström, Political Director of the Swedish Foreign Office.

Union will certainly take action to prevent free elections. Otherwise, the blow to Soviet prestige of having a satellite or semi-satellite country with which a treaty of alliance had just been signed show a trend away from Communism would be more than the Kremlin would wish to tolerate. He agreed with my reasoning. I said that there seemed to be just one factor on the other side: namely, that having found that its tactics of violence had stimulated such a reaction in Europe and the United States, producing American rearmament, the Kremlin might want a general lull for a period. In such case Finland might be left alone for the time-being but I still considered it unlikely. I said that sooner or later Finland must go the way of the other satellites for the simple reason that the Soviet Union just will not tolerate or understand any relationship which does not give it complete domination of each and every government and people within what it considers its sphere. Grafström agreed and said that that was why he thought we might see a period of calm since the Soviet Union had now taken everything within its "sphere". I said I very much doubted it, though the Kremlin might agree to go softly for a brief period. I quoted to him Stalin's statement that "an obliging bear is more dangerous than an enemy". We must therefore be on our guard, I said, against any lull which would be designed merely to help the Communist forces in France and Italy and elsewhere recover some lost ground.

I then read him pertinent excerpts from Mr. Thompson's memorandum of conversation of April 27 with Alexis Aminoff and Colonel Murray of the Swedish Army.² He listened with obvious interest but in view of the position so repeatedly taken on the question of neutrality by Mr. Undén he clearly felt that he could not comment to me.

Returning to the subject of Russian intentions, I said that I thought Russia would not permanently rest quietly in what he called its sphere but would sooner or later probe for soft spots. I said I was convinced that the one limiting factor today was Soviet fear of possible American military reaction. I pointed to the examples of Iran, Turkey, Greece, Italy, Western Europe and Germany in all of which we had indicated sufficient interest so that the Soviet must have serious doubts that an overt move might produce war with the United States. I said that in Czechoslovakia and Finland the Soviet Union had clearly felt that American reaction would not have been sufficiently strong to mean war hence the Kremlin had pushed ahead. There was a lesson in this for Sweden, it seemed to me, I said. While the Swedish Government and people seemed to feel that the policy of proclaiming neutrality vociferously at least once a week was an insurance against war and a

² Not printed.

cautious, safe, unadventuresome line, to me it was just the opposite; it was in fact unconsciously a very audacious policy. Every time that Sweden proclaimed neutrality the Swedish Government did two things: (1) it invited a Russian attack or at least strong pressure before any general war took place, and (2) it warned the United States that it did not want help. This seemed to me highly dangerous from Sweden's point of view since it greatly increased the risk of Sweden being plucked off separately without any general war while Sweden's friends looked on with regret and indignation but did nothing to help. "One cannot expect the United States to go to war," I said, "to help a neutral which is unwilling to join with other free nations in the common interest of the Western free world and share common risks and responsibilities. What Sweden failed to understand was the importance of joining with other nations to help *prevent* a war. It was not just a question of perhaps saving a few weeks of neutrality if war broke out."

Grafström understood my meaning but felt he was not in a position to comment.

H. FREEMAN MATTHEWS

S40.20/5-648 : Telegram

The Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, May 6, 1948—4 p. m.

1552. We consider question of including Italy in Brussels Treaty defense system one for present parties to decide. In response to questions from French, Brit, Belgians and Italians (Embtel 2275 Apr 29 ¹) as to our attitude we have replied that in our opinion Italy's inclusion would be natural and desirable. We suspect French are seeking hide behind alleged Benelux reluctance. While we have had no definite statement from Dutch Spaak has repeatedly stated there would be no objection admitting Italy. We doubt he would speak so strongly if Dutch objected.

Question of revision or abrogation of military clauses in Italian Treaty is thorny but we hope practicable steps can be found and taken in due course. We do not follow French thinking that Italian adherence to Brussels Treaty could be interpreted as official abrogation of military clauses. Soviets would undoubtedly howl but multiplicity of recent Soviet-satellite military agreements provides ample proof hypocrisy any objections they may raise.

¹ In telegram 2275 from Paris, not printed, Caffery informed the Department that French views on inclusion of Italy in a Western defense system based on the Brussels Treaty were not yet crystallized, and urgently requested the Department's views on the matter (S40.20/4-2848).

We assume true French preoccupation is over increased liabilities Italy's inclusion would entail. We recognize this as practical military problem which they and other parties cannot ignore but feel that American support as promised by Pres (which will of course be implemented) outweighs increased liability and that furthermore only sure way of preventing any part of Western Europe being overrun is to stop World War III before it starts. Convincing evidence of collective determination, including that of US, to confront any overt attack with wholehearted resistance plus integrated and progressively stronger western military potential seems best means of doing so.

While our thinking on Greece and Turkey has not fully crystallized we believe Italy fits naturally into Western European defense system but are inclined to question practicability of separate Mediterranean system. We likewise fail to see how separate Mediterranean system would in any way make Italian military clause problem any easier.

We recognize military importance of including Spain but regard this question likewise as one for the European countries to decide themselves.

Sent Paris as 1552; rptd Lond as 1626; Rome as 1297; Brussels as 668; Hague as 169.

MARSHALL

840.00/5-748

Memorandum of Conversation, by the Chief of the Division of Western European Affairs (Achilles)

TOP SECRET

[WASHINGTON,] May 7, 1948.

Mr. Maclean¹ called at his request to show me copies of telegrams between London and Rome on the question of including Italy in the Brussels Treaty.

On April 26 De Gasperi had given an interview to the United Press in which he had implied that relaxation of the military clauses of the Italian Treaty and some favorable action on the former Italian colonies would both be desirable before Italy did anything about adhering to the Five Power Treaty. De Gasperi had subsequently referred rather vaguely to these two points on discussing the question with the British Ambassador, but had stressed principally the political criticism to which his new government might be subjected should it move quickly toward adhering to the Treaty. The Communists were still playing the tune that Italy was being drawn by the West into a trap which could only lead to war. The far Right would attack the government if it adhered to the Treaty without prior action on col-

¹ Donald D. Maclean, First Secretary, British Embassy.

onies and military clauses. He accordingly felt it necessary to proceed with caution and feel his way.

Bevin had advised the Italian Ambassador in London that in view of De Gasperi's wish to proceed cautiously the British would do the same. He had also instructed the British Ambassador in Rome to take a strong line with De Gasperi to the effect that Italian adherence to the Treaty would be an advantage to Italy but a liability to the other signatories, and that the Italians would be ill-advised to try "blackmail" in this connection.

In response to Maclean's inquiry as to our views, I told him that we considered inclusion of any other government in the Treaty a matter for the present Parties to decide, but that our own view was that Italy fell undoubtedly into both a Western European defensive system and a Western economic and political group. We had so advised the Italian Ambassador. I said we fully agreed that Italy's adherence would present a liability to the present Parties and that we did not see under the circumstances how the Italians could expect to demand concessions for their adherence. He hoped we would be willing to advise the Italians of this view. I said we had already pointed out to the Italian Ambassador that Italian adherence would be a liability for the other Parties.

In reply to his question as to our attitude on the military clauses, I said that we had from the very beginning of the CFM considered the clauses too restrictive and felt that means must eventually be found to increase Italian armed strength. We did not at present see any legal way of altering the Treaty provisions but felt that the Italian armed forces could be greatly strengthened within Treaty limits by greater utilization of civilians in administrative, supply and other non-combat fields and by modernization of equipment. In so far as equipment had to come either from one of the Brussels signatories or from us we felt this an additional argument in favor of Italian inclusion in the Brussels Treaty system in order that its requests could be dealt with in coordination with the needs of the others.

840.00/5-748

The Director of the Policy Planning Staff (Kennan) to the Under Secretary of State (Lovett)

TOP SECRET

[WASHINGTON,] May 7, 1948.

MR. LOVETT: Mr. Bohlen, Mr. Hickerson and I now are in agreement on the text of the attached revision of the paper regarding Western

Union.¹ If you and the Secretary approve, the paper now should be sent to Admiral Souers for the consideration of members of the National Security Council and for discussion at a Council meeting.

A letter to Admiral Souers for your signature is attached.²

GEORGE F. KENNAN

[Enclosure]

THE PROBLEM

The purpose of this paper is to recommend a course of action designed to support the free nations of Europe adequately: to strengthen their determination to resist aggression, to increase their confidence that they can successfully do so, and to reduce the risk of war by deterring any government from attempting further aggression through confronting it with evidence of collective determination, including that of the United States, to resist.

RECOMMENDATIONS

1. A resolution to be worked out in detail with the Foreign Relations Committee along the lines of the attached draft.

2. After introduction of the resolution, the Department to undertake the Washington conversations requested by Bevin and Bidault with representatives of the British, French and Benelux Governments. They would be advised that the President is prepared to authorize U.S. participation in the London Five Power military talks with a view to: (a) concerting military plans for use in the event that the U.S.S.R. should resort in the short term future to aggressive action in Germany, Austria or elsewhere in Europe, and (b) drawing up a coordinated military supply plan on the lines set forth in paragraph 3 below. We would seek to convince them of the wisdom of proceeding with military talks during the next several months without seeking any U.S. commitment more formal than that given in the President's March 17 message and the Senate Resolution at least until there has been more time for the development and practical implementation of the Brussels Treaty system.

The Department would explore with the five Governments the problem of increasing the security of Norway, Denmark, Iceland, Italy

¹The revised text referred to here, printed *infra*, is a revision of National Security Council paper NSC 9/1 of April 23, not printed. (See letter from Kennan, April 23, and its enclosure, p. 100.) It was submitted by Lovett to Souers on May 11 and was circulated in the Council with slight alteration in form though not in substance as NSC 9/2, dated May 11, not printed.

The National Security Council considered NSC 9/2 at its 11th meeting, May 20, and reissued it, with minor revisions by the Department of State, as NSC 9/3, June 28, 1948, p. 140. NSC 9, 9/1, 9/2 and 9/3 had the same title: "The Position of the United States with Respect to Support for Western Union and Other Related Free Countries." (Executive Secretariat Files.)

²Draft letter of transmittal, not printed.

and perhaps Portugal and Sweden through integration into or through some form of association with the Brussels Treaty system or otherwise.

The Department would seek to arrange Canadian participation in the London military talks, provided the Canadian Government is prepared to take part.

3. The Department of National Defense to participate in the continuing military conversations in London. It would be made clear throughout that the ERP precedent should be followed and that: (1) they must first plan their coordinated defense with the means presently available, (2) they must then determine how their collective military potential can be increased by coordinated production and supply, including standardization of equipment, (3) we would then be prepared to consider and screen their estimates of what supplementary assistance from us was necessary, (4) we would expect reciprocal assistance from them to the greatest extent practicable, and (5) legislation would be necessary to provide significant amounts of military equipment but the President would not be prepared to recommend it unless the foregoing conditions have been met.

4. If, as a result of its diplomatic talks with the British, French and Benelux representatives, the U.S. Government became convinced that some further political commitment was necessary at this time to bolster public confidence in Western Europe, the U.S. Government to discuss with the parties to the Brussels Treaty some form of association by the U.S., and if possible Canada, with them along the lines recommended in the Senate resolution. No U.S. commitment would be entered into in such talks without the fullest bipartisan clearance here. Nothing would be done requiring Congressional action prior to next January.

840.00/5-748

*Draft Senate Resolution on the United Nations*¹

TOP SECRET

[WASHINGTON, undated.]

WHEREAS, Peace with justice and the defense of human rights and fundamental freedom require international cooperation through more effective use of the United Nations:

¹ This draft, according to a handwritten notation on the file copy, was submitted to President Truman by Marshall and approved by the President on May 7 (840.00/5-748). It was circulated in the National Security Council as an annex to NSC 9/2 of May 11. However, Kennan was troubled by the wording of this draft, especially paragraph 5, and he so informed Marshall and Lovett in a memorandum addressed to them on May 7, vol. 1, p. 339. The draft was subsequently altered slightly to the form in which it was reported by Vandenberg in the Senate on May 19, 1948 and adopted on June 11 as Senate Resolution 239, 80th Congress (text printed herein, p. 135).

Earlier drafts of this resolution by the State Department Office of United Nations Affairs, together with memoranda covering significant steps in the drafting process, are in Department of State file 840.20.

Therefore, be it **RESOLVED** that the Senate re-affirm the policy of the United States to achieve international peace and security through the United Nations, and that the President be advised of the sense of the Senate that this Government should particularly pursue the following objectives within the United Nations Charter:

(1) Voluntary agreement to remove the veto from all questions involving pacific settlements of international disputes and situations, and from the admission of new members.

(2) Progressive development of regional and other collective arrangements for individual and collective self-defense in accordance with the purposes, principles and provisions of the Charter.

(3) Association of the United States with such regional and other collective arrangements, based on self-help and mutual aid, as affect its national security.

(4) Contributing to the maintenance of peace by making clear its determination to exercise the right of individual or collective self-defense under Article 51 should any armed attack occur affecting its national security.

(5) Maximum efforts to provide the United Nations with armed forces as contemplated by the Charter, and to obtain agreement among member Nations upon universal regulation and reduction of armaments under adequate and dependable guarantees against violation.

(6) If necessary, after adequate effort toward strengthening the United Nations, review of the Charter at an appropriate time by a General Conference called under Article 109, or by the General Assembly.

757.58/5-1148 : Telegram

The Ambassador in Norway (Bay) to the Secretary of State

SECRET

OSLO, May 11, 1948—5 p. m.

287. Foreign Office Secretary General Andvord who leaves tomorrow for new post as Ambassador Paris has given Embassy officer following information:

1. Sweden has indicated definite willingness make positive military arrangement with Norway. Andvord does not know details of arrangement proposed but says it is of positive character. Military Attaché has confirmation this information from reliable source. It is noted information coincides with Prime Minister Gerhardsen's remarks regarding military cooperation at current convention of Swedish Social Democratic Party Stockholm.

2. In conversation with Swedish Crown Prince in Stockholm May 8 Andvord found Crown Prince "more neutral than Undén". Crown

Prince stated Sweden must never depart from neutrality and believed Sweden could escape involvement in any future conflict. Andvord proudly declares he informed Crown Prince that "Norway would prefer to fight and go under rather than be neutral and escape, even if that were possible, kind of war next conflict would be."

3. Andvord indicated Norwegian Foreign Office was aware of statement by Swedish Defense Minister Vought that Sweden would remain neutral even if northern Norway were occupied by Russians and would not enter war unless completely encircled.

Sent Department 287; repeated Stockholm 25, Copenhagen 25.

BAY

758.00/5-1148: Telegram

The Ambassador in Sweden (Matthews) to the Secretary of State

SECRET

STOCKHOLM, May 11, 1948—7 p. m.

572. I stated in mytel 564,¹ May 7 that the Swedish price for any Nordic military alliance would be the maintenance of strict neutrality by all three and I said that consequently such an alliance is not to our advantage. Mytel 571¹ of today reports Undén's speech before Nordic Social Democratic Party congress in which he again emphasized Sweden's adherence to neutrality and insisted point blank that any Scandinavian military alliance (which he conceded was worth considering) must be based on agreement by the three countries to stick to neutrality to the bitter end. Undén's statement I find even more depressing than his February 4 Riksdag speech; it shows that events of the past months have taught him nothing and confirms as I have reported that any Swedish departure from neutrality must be over Undén's dead body. I must repeat that I feel our influence in Norway and Denmark should be directed toward discouraging any Scandinavian alliance at the Swedish price. I also wish again to urge that Department call in Swedish Chargé and tell him in the frankest terms what we think of Swedish neutrality and what the cost will be to Sweden.

Sent Department 572; repeated Paris 148; London 145; Moscow 47. Pouched Oslo, Copenhagen.

MATTHEWS

¹ Not printed.

840.00/5-1448 : Telegram

The Acting Secretary of State to the Embassy in France

[Extract]

TOP SECRET

WASHINGTON, MAY 14, 1948—7 p. m.

1681. For Ambassador's eyes only from Lovett. Have worked out carefully with Vandenberg and Foreign Relations Committee text of resolution which we hope will be reported to Senate next week as Committee resolution. Vandenberg has given text to press as "working paper". We anticipate resolution will contain substantially following language:

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Bonnet yesterday asked significance of "working paper" in connection with talks envisaged in messages between Secretary and Bidault. I told him matter was currently under active consideration by Foreign Relations Committee and accordingly I could not attempt to speculate on either timing of any international talks or eventual content of Senate resolution but that resolution eventually passed would give us both authority to negotiate and framework within which to negotiate. He asked whether such Senate resolution could be taken as "one-half of a guarantee". I told him we had never considered any form of guarantee and he and his Govt would do well to avoid any such thought, that our thought ran along lines of coordinated policy and practical measures to increase security.

In any discussions with Bidault please emphasize that we are not thinking and have never thought of "guarantees" but that we are thinking in terms of practical measures to increase Western European security.¹ You can also stress that, while we are unable to say much pending further developments in Congress, passage of resolution as contemplated would constitute strong bipartisan backing for support of Brussels Treaty countries.

(Sent Paris as 1681 rptd London as 1770).

LOVETT

¹ In answer, Caffery cabled on May 15: "Bidault is not interested in 'guarantees'. He is interested in practical measures to increase western European security. He would also be interested in a resolution constituting bi-partisan backing for support of the Brussels Treaty countries. Chauvel will make all that clear to Bonnet." (Telegram 2621 from Paris: 840.00/5-1548.)

840.20/5-1448

The British Embassy to the Department of State

TOP SECRET

[WASHINGTON, undated.¹]

SUBSTANCE OF A MESSAGE FROM MR. BEVIN OF MAY 14TH ON NORTH ATLANTIC SECURITY

Mr. Bevin remains convinced that the only satisfactory way of dealing with present world position, and of ensuring a considerable and perhaps a long period of peace, is the adoption by the American Government of something like the draft programme sketched out in the Pentagon discussions six weeks ago. The mere fact that the United States was prepared to enter into some kind of regional defensive system would, by itself, encourage the democratic forces all over the world and be far the best deterrent to any Soviet miscalculation, which probably constitutes the only serious danger of war in the near future.

To Mr. Bevin's mind, the fact that the proposed defensive pact for the North Atlantic area might not, at first at any rate, include all the democracies of Western Europe is *not* a reason for abandoning it. Even if it only included, to start off with, the United States, Canada, and the Five Brussels Treaty Powers, it would be entirely worthwhile. There should, however, be every reason to hope that Norway and Denmark and Portugal would come in, and that Italy might follow suit without making it the cause for political bargains.

In Mr. Bevin's view, what is wanted in order to encourage the democratic forces and defeat Communist manoeuvres is some definite acceptance of obligations on the part of the United States. The presence of the American forces in Germany affords only indirect assurance to Italy and Scandinavia and the talks on Germany in London have shown that it does not suffice even to remove the perpetual uneasiness of the French as regards their own security. If the French Government could point out to a document signed jointly by the United States, United Kingdom and France they would, Mr. Bevin is certain, have a far less difficult time in convincing the French opposition of the wisdom of pursuing a joint policy in Germany with the United States and the United Kingdom.

There is the further consideration that a Treaty based on Article 51 to which the United States would be a party would be far the best answer to those in our own two countries who are urging a revision of

¹ No indication has been found in the Department of State files of how and when this document was delivered to the Department. A note attached to the file copy indicates that the contents were read to the National Security Council by Marshall on May 20th and then forwarded to Hickerson for his information and action.

the Charter. Mr. Bevin read with the greatest admiration Mr. Marshall's statement² on this subject before the Foreign Affairs Committee of the House, and entirely agreed with it. But in default of some positive and spectacular move by the Administration it may be that Charter revisionism will endure and prove to be a real difficulty in the future.

Lastly, it is clear that the ultimate conclusion of some world wide system based on Article 51 to which Mr. Saint Laurent has recently drawn attention³ can only be rendered practicable if the way is prepared by a defence arrangement in the North Atlantic area. It is surely along the road indicated by Mr. St. Laurent that it would be wise if possible to lead our peoples and thus to canalise discontent with the United Nations in the right direction while preserving the centralizing and pacifying functions of a central international authority for reasons so excellently described in Mr. Marshall's statement to the Foreign Affairs Committee.

It seems to Mr. Bevin to be of the highest importance that the United States should, in the near future, open negotiations for the conclusion of a North Atlantic Pact. Otherwise he fears that a golden opportunity will be missed for rallying the democratic nations of the world, and thus calling a halt to an aggressive attitude we have all had to face.

² Statement before the House Foreign Affairs Committee, May 5, 1948. For extract, see p. 111. For text of complete statement, see volume I.

³ Reference here is presumably to a review of foreign affairs by the Canadian Minister for External Affairs in a speech in the Canadian House of Commons on April 29.

840.00/5-1448 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET URGENT

LONDON, May 14, 1948—8 p. m.

2128. For the Secretary and Lovett (eyes only) from Douglas. Gladwyn Jebb handed me the following this evening. I herewith transmit it to you. The first part is a letter signed jointly by Gladwyn Jebb and Star-Busman, the secretary, Brussels Treaty Permanent Commission, transmitting part II of this telegram, namely, the answers to the Defence Ministers' questions.

Part I

1. As Your Excellency is aware, in conversation with Monsieur Bonnet and Lord Inverchapel on April 19 Mr. Lovett said that, before initiating conversations with representatives of the Brussels treaty powers, the United States Government would wish to be in possession

of answers to certain questions, which he outlined, relating to the common defensive measures which might be taken by those powers.

2. At the recent meeting of the Defence Ministers of the five powers in London¹ it was decided that as their first task the Military Committee should be instructed to prepare replies to Mr. Lovett's questions, and it was represented to them that this was a matter of the highest urgency. The report of the Military Committee, embodying answers to Mr. Lovett's questions, which has now been approved by the governments of the five powers, is attached; and in my capacity as Chairman of the Permanent Commission (Gladwyn Jebb), acting for the consultative council of the Brussels treaty, I have been requested by my colleagues to transmit it to you at once with the request that the text should be urgently telegraphed to Washington.

3. In doing so I wish to draw Your Excellency's attention to the fact that the answers are provisional only, and that the questions could not in fact be answered comprehensively before the completion of the inventories which the Defence Ministers have instructed the Military Committee to complete and which are now in hand.²

4. Finally, my colleagues wish me to draw attention to the great secrecy which attaches to the enclosed document, and more especially to answer 1E. It would clearly be disastrous if this information were to fall into the hands of unauthorised persons, and the Permanent Commission for their part are taking every possible precaution to prevent this occurring.

Part II

Object:

1. To answer the Defence Ministers questions:—

A. Will equipment and resources (including war potential present and future) of the five powers be pooled?

B. Are the types of equipment of the five powers to be standardised?

C. Is the military organisation of the five powers to be harmonised?

D. What forces could the five powers assemble and maintain on the ground, in the air and at sea?

E. What is the plan of action of the five powers until American help is available?

Answer 1A.

2. Yes. The five powers have agreed to the pooling of equipment and resources subject to their outside commitments already undertaken. Also they agree that the combined control of this pool will be necessary. Even immediate full exploitation of their limited resources cannot

¹ Reference here is presumably to a meeting of the Defense Conference in London on April 30 attended by the Defense Ministers and Chiefs of Staff of the Brussels Treaty powers.

² Douglas, in telegram 2130, May 15, not printed, clarified this reference to inventories "now in hand" with the word that the Military Committee was in process of examining the inventories for the purpose of determining and tabulating (840.00/5-1548).

materially change their short term position and such exploitation would undoubtedly be detrimental to their early economic recovery. Moreover, it appears that, in the interests of any defence preparations and of the European recovery plan, the United States and other countries could assist in making up the shortages between the requirements of the five powers and their joint ability to meet them. The financial and economic problems should be dealt with in agreement with the USA, and may entail special measures. Active examination of the five powers' resources and requirements is now in progress.

Answer 1B.

3. Yes. It is intended to pursue and extend the standardisation of the equipment of the five powers as much as practicable and as soon as possible without interfering with present production. The extent to which plans for long term standardisation can be advanced at present depends upon American intentions, since it is obvious that standardisation with the USA is equally desirable at an early date. However, the acceptance of the principle of standardisation must not be allowed to interfere with our immediate preparations or rearmament.

Answer 1C.

4. Yes. The intention is that the forces of the five powers should be so organised that formations and units are comparable in strength and that they can operate alongside each other with the maximum efficiency under a common command and with a similar system of supply and communications. As a first step, a committee has been set up in London consisting of service representatives, appointed by their respective Chiefs of Staff, from each of the five powers for the joint study of the problems involved. The committee is served by a permanent five power secretariat.

Answer 1D.

5. The Military Committee have already started on the following immediate tasks:—

A. The preparation of an inventory of the total military forces and resources of the five powers mobilisable in the near future; and

B. The preparations of an inventory of the potential military forces and resources of the five powers.

6. As a result of the above, the five powers will be able to furnish in a very short time a balance sheet of their overall forces. Any figures given before the completion of this balance sheet would be misleading. But it should be noted that the five powers are already reconstructing their armed forces.

Answer 1E.

7. In the event of an attack by Russia, however soon it may come, the five powers are determined to fight as far east in Germany as possible. If Russia overruns the countries of western Europe, irreparable harm will be done before they are liberated, owing to the Russian policy of deportation and pillage. Their preparations are therefore aimed at holding the Russians on the best position in Germany covering the territory of the five powers in such a way that sufficient time for the American military power to intervene decisively can be as-

sured. The five powers are now assessing their resources and fully recognise that an attack in the near future would find them militarily weak. They also recognise that their plans must be very closely linked to the American strategic concept and the deployment of such forces as they are prepared to provide for the defence of western Europe from the outset.

DOUGLAS

757D.00/5-1848 : Telegram

The Ambassador in Norway (Bay) to the Secretary of State

SECRET

OSLO, May 18, 1948—5 p. m.

311. Foreign Minister Lange's invitation to call coincided with my request for appointment, for purpose recent Norwegian-Swedish discussions subject defense alliance. Principal points his exposition this morning follow:

(1) During February meeting Scandinavian Foreign Ministers Oslo,¹ Lange proposed discussion looking toward joint defense program, Icelandic Foreign Minister Benediktsson indicated his country not interested because of Iceland's isolated position and unrelated problems.

(2) Lange received from Swedish Foreign Minister Undén May 3 proposal Norway, Sweden, Denmark inaugurate discussions defense alliance restricted to Nordic group with further agreement each participating state individually refuse join any great power bloc. Somewhat to Lange's surprise, Undén's proposal was generally if not strongly supported by Danish Foreign Minister Rasmussen. Lange expressed willingness present proposal Norwegian Government but indicated practical certainty of rejection due conditions imposed.

Proposal was considered by Norwegian Government and promptly rejected for reason as stated by Lange this would mean forsaking basic principle of freedom for future action and commit nation to well-known principle of Swedish neutrality.

(3) During recent Congress Swedish Social Democratic Party Stockholm, attended also by Prime Ministers Denmark, Norway, Prime Minister Gerhardsen submitted new following proposal: Norway, Sweden, Denmark engage discussions without prior commitments or conditions respecting alliance by any participating state with any other power. Sweden rejected meetings except under original conditions. Lange remarked vaguely Swedish proposal would probably not be unfavorably regarded from East.

¹ The Foreign Ministers and Ministers of Trade of Denmark, Sweden, Iceland and Norway met in Oslo February 23 and 24.

(4) Lange stated Bryn, Undersecretary Ministry Defense, discussed Undén proposal in London where British said they view with disfavor idea Norway joining Scandinavian military alliance under above Swedish conditions; on Bryn's further suggestion Norway might offer mild face-saving concession, not explained to me by Lange, British objected again to any condition relaxing complete Norwegian independence future action.

(5) Replying my question where matter now rests, Lange said little hope getting Sweden out of neutrality rut, at least until after Swedish elections. Lange clearly recognizes acceptance Undén's conditions would bind Norway to Swedish policy of neutrality, thus surrendering freedom of future action. This, he said, Norway would never do. He agreed my suggestion Norwegian-Swedish alliance under Undén's conditions would add few assets while putting heavy mortgage on freedom. He then stated with some feeling, "Norway will never so long as I am Foreign Minister close its door to the Western democracies."

Finally Lange feels Norway will let matter simmer for time being, partly to avoid alienating small minority within Labor Party which believes Norway should make every possible effort collaborate Sweden, but more importantly because he hopes to convince Denmark of absolute futility of neutrality, thus gaining Rasmussen's cooperation in coaxing Sweden away from neutrality.

When I asked whether this might not prove dangerous delay and what would happen should new crisis unexpectedly arise, Lange smiled and said quietly Norway would then strike out alone to the West.

Sent Department 311, repeated Copenhagen 27, Stockholm 27.

BAY

840.00/5-1948

Memorandum by the Chief of the Division of Western European Affairs (Achilles) to the Director of the Office of European Affairs (Hickerson)

[Extract]

TOP SECRET

[WASHINGTON,] May 19, 1948.

Donald McLean [*Maclean*] came in yesterday afternoon. He said that the Embassy had received another message from Bevin to the Secretary but had discretion as to whether or not to present it. The message again urged the desirability of negotiating a treaty at this

time for the security of the North Atlantic Area. Since Chip¹ and George Kennan had indicated strongly to Jock Balfour their belief that a treaty was not desirable, the Embassy was inclined not to present the message since it might merely produce a reply indicating United States unwillingness to conclude such a treaty.

I said I thought a further message would produce such a reply, that the Embassy's judgment seemed sound and that there would be ample opportunity as and when the five-power talks started to present Bevin's ideas on a treaty.

¹ Charles E. Bohlen, Special Assistant to the Secretary of State.

FW 840.20/5-2148

*Memorandum by the Director of the Policy Planning Staff (Kennan)
for the Secretary and Under Secretary of State*

TOP SECRET

[WASHINGTON,] May 24, 1948.

I enclose a memorandum,¹ prepared by Mr. Butler, concerning the problem of a North Atlantic security pact in the light of recently expressed British and Canadian views.

I think the statements of the Canadian Foreign Minister,² as cited in this memorandum, add a new and important element to this problem.

In the light of these statements and of Mr. Bevin's memorandum,³ I think we must be very careful not to place ourselves in the position of being the obstacle to further progress toward the political union of the western democracies. We should proceed with the soundings envisaged in the National Security Council paper⁴ and should attempt to establish all the facts bearing on the possible effect of opening the question of a North Atlantic security pact. Until that has been done, I think we should be equally careful not to encourage the project to a point where we arouse false hopes but also not to throw so much cold water on it as to put ourselves in the position of obstructionists.

From what Balfour told us, no one in England is deceiving himself that there would be any chance of getting ratification on a security pact before the next Congress. What they hope is that by consenting

¹ Memorandum to Kennan by George H. Butler of the Policy Planning Staff, dated May 21, 1948: not printed, 840.20/5-2148.

² Statements by Louis Stephen St. Laurent in his speech of April 29, 1948, in the House of Commons.

³ Kennan is apparently referring here to the message of May 14. See p. 122.

⁴ Presumably NSC 9/2 dated May 11, 1948. See letter from Kennan to Lovett, May 7, with related footnotes and enclosure, p. 116.

to conduct discussions along these lines we will keep the ball rolling and keep up the hopes of peoples in Europe. This strikes me as reasonable; and I think Mr. Bevin's memorandum should be answered in this spirit.

GEORGE F. KENNAN

840.00/5-2548

*Memorandum of Conversation, by the Under Secretary of State
(Lovett)*

TOP SECRET

[WASHINGTON,] May 25, 1948.

Participants: The Turkish Ambassador—Huseyin Ragip Baydur
U—Mr. Lovett
GTI—Mr. Jernegan

During the course of a call to request the agrément for the appointment of Mr. Erkin¹ as Ambassador to the United States, Ambassador Baydur asked me about the question of guarantees or assurances which might be given by the United States to certain European countries.

I said that the extension of such guarantees was, of course, contrary to the whole tradition of the United States. Under no circumstances could this Government agree in advance to an arrangement whereby it would be committed automatically to come to the direct assistance of another country. We would always have to consider the circumstances and determine our action in the light of those circumstances at any time. The most that we could do would be to agree to consider the assistance that might be given to foreign countries if necessity arose.

I remarked that nearly every country in the world had requested some sort of assurances from us. In particular, the signatories of the Brussels Pact, the so-called Western European Union, had approached us in this regard. We had felt obliged to inform the French Government, in answer to its request for a guarantee, that such a guarantee could not be made.

I went on to say that the most important thing was that we should maintain and increase our own strength and avoid undertaking too much. The most disastrous thing for the whole world at the present time would be for the United States to exhaust itself financially in such a way that we could neither build up our own military power nor assist in defending other countries. The great deterrent to aggression would be the knowledge that the United States was strong and in a position to repel aggression. We were, of course, taking steps at the present time to increase our military strength through the program for enlarging the Air Force, Selective Service, and the like.

¹ Feridun C. Erkin presented his credentials August 20, 1948.

The Ambassador agreed that it was all-important that the United States should be strong and that the steps we were taking were highly desirable. He argued, however, that it was also necessary to make clear to the potential aggressor the limits beyond which we would not permit him to go. It was essential to show, by means of guarantees, agreements, associations or whatever they might be called, that the United States would defend those countries which were most exposed and would be most likely to be subject to attack. If this were done, the Ambassador was confident, based on his personal knowledge of the Soviet Union, that the USSR would refrain from any action which would precipitate a war. He considered that if Britain had been strong and had made its guarantees of other countries early enough, Hitler would never have provoked World War II. The British guarantee of Poland in 1939 had come too late and Britain had been too weak to convince Hitler that an attack on Poland would mean war. Mr. Baydur spoke of the Munich Conference, asserting that the failure of France and Britain to defend Czechoslovakia at that time had convinced Hitler that he could pursue his objectives without danger. We must prevent a similar development today by making it clear that the United States would come to the assistance of threatened countries.

I remarked that the cases of Czechoslovakia and Poland could also be used to prove a different argument, namely, that it was a mistake to make promises which you could not fulfill. France had had a mutual assistance pact with Czechoslovakia and Britain had given a guarantee to Poland, yet both countries had fallen because France and Britain lacked the strength to live up to their commitments.

I referred to the so-called Vandenberg Resolution which was now before the Senate and pointed out that this Resolution was extremely important. If it were passed, it would provide a basis for our future action and would set the limits for that action. I emphasized that we would not necessarily go as far as the Resolution would permit but that it would at least indicate how far we could go if it seemed desirable. I further pointed out that the Resolution contained four criteria which must be fulfilled in connection with any sort of agreement or association by the United States with any group of foreign countries. First, the countries must do everything possible to help themselves and to cooperate with each other in assuring their own security; in other words, we did not propose to use our strength to replace the potential strength of any foreign country; we would only supplement that strength. Second, the countries concerned must continue their efforts, both individually and collectively, and must make them effective; they could not make an agreement with us and then sit back and rely exclu-

sively upon us to protect them. Third, any association or agreement which we might enter into within the terms of the Vandenberg Resolution would have to be clearly in the national interests of the United States. Fourth, it must be approved by the Congress of the United States. If the Resolution were passed, we would be in position to consider whether we should enter into negotiations for any sort of arrangement within the terms of the Resolution, and would study the different situations presented to us in order of priority.

The Ambassador concluded the conversation by reiterating his belief that it was important for the United States to give some sort of clear guarantees or enter into some arrangements of the sort suggested in order to preserve the peace. It was not a question, he felt, of arranging for another war but of preventing such a war. Unless the Soviet Government was confronted both with the reality of American military force and a clear statement of the determination of the United States to use that force in defense of other countries, there would be no reason for the USSR to desist from its present tactics of constant expansion. I observed that the recent communication by Ambassador Smith to Mr. Molotov² had been intended to make clear to the Soviets that our policy was firm and that we would not allow ourselves to be pushed around. The Ambassador agreed that this was the case but said that he would have preferred to see this communication made after the American rearmament had progressed further and after the United States had extended the guarantees which we had been discussing. He believed that it would have been much more effective in those circumstances.

The Ambassador did not at any time raise the specific question of a guarantee to Turkey, but it was clear that his remarks were made against the background of his previous talks with the Secretary and Mr. Henderson and that his object was to keep before us the Turkish Government's point of view.³

L[OVETT]

² See telegrams 835 and 836 from Moscow, May 4, 1948, vol. iv, p. 845 and p. 847.

³ The Secretary received Baydur on May 11 at the latter's request with Loy Henderson, Director of the Office of Near Eastern and African Affairs, participating. For text of memorandum of conversation by Henderson covering Turkish concern over the apparent failure of the United States to grant Turkey guarantees against aggression similar to those the Ambassador believed were being extended to Western Europe, see vol. iv, p. 83.

On May 18, Henderson and John D. Jernegan, Chief of the Division of Greek, Turkish and Iranian Affairs, met with Baydur who pursued the subject of the May 11 meeting. A memorandum of conversation dated May 18 is in Department of State file 867.00/5-1848.

840.20/5-2848

*Memorandum of Conversation, by the Chief of the Division of
Western European Affairs (Achilles)*

TOP SECRET

[WASHINGTON,] May 28, 1948.

During a conversation with Mr. Stone¹ last week I had asked him whether the Canadian Government contemplated participating in the current military conversations in London. I said that in view of Canadian-U.S. joint defense arrangements and efforts towards arms standardization, the question was of interest to us because of possible American participation at some stage in the London talks. I had also asked him whether, in the event of conversations being held with the signatories of the Five Power Treaty concerning American support, the Canadian Government would wish to sit in with respect to Canadian support. I had made clear that I was speaking strictly off the cuff and that I had no idea what our own position might be on this latter point.

He told me this morning that he had consulted Ambassador Wrong and Under Secretary Pearson and that all three held the personal opinion that Canada would accept an invitation to participate in either or both talks. Pearson emphasized that he could not speak for the Canadian Government but believed that the Government would definitely wish to participate in the London talks and would probably see no objection to participating in conversations here should we so desire.

¹ Thomas A. Stone, Canadian Minister in the United States.

840.20/5-1448

The Acting Secretary of State to the British Chargé (Balfour)

TOP SECRET

WASHINGTON, May 28, 1948.

DEAR JOCK: In the absence of the Secretary of State, I am transmitting herewith his comments regarding the message from Mr. Bevin dated May 14. Will you be good enough to communicate them to Mr. Bevin?

Very sincerely yours,

ROBERT A. LOVETT

[Enclosure]

*Comments by the Secretary of State on Mr Bevin's Message of
May 14*

Secretary Marshall has received Mr. Bevin's message of May 14 and is grateful for the statement of his views on the problem of a

defense pact for the North Atlantic area. He recognizes the importance which Mr. Bevin attaches to continued progress in rallying the free nations in the face of the aggressive attitudes with which they have been faced from other quarters and the significance of a possible North Atlantic pact for the solution of this problem. Mr. Bevin is aware of the strong desire of the United States Government to assist in strengthening the ability of the free nations of Europe to resist aggression and their confidence that they can successfully do so, and to assist in deterring aggression by making clear that it would react immediately and vigorously against any armed attack affecting its national security.

Mr. Bevin will have noted the resolution¹ unanimously reported on May 19 by the Senate Foreign Relations Committee recommending United States association, by constitutional process, with such regional and other collective arrangements as are based on continuous self-help and mutual aid and as affect its national security. He will undoubtedly have noted the significance of the paragraph in the resolution recommending that the United States make clear its determination to exercise its right of individual or collective self-defense should any armed attack occur affecting its national security. The Committee's report emphasizes that the lessons of World Wars I and II show that the best deterrent to aggression is the certainty that immediate and effective counter-measures will be taken and that the United States would, by making clear in advance that any such attack would meet immediate American reaction, "take an important step in the direction of removing any dangerous uncertainties that might mislead potential aggressors."

This resolution reflects the development of public opinion in the United States in these matters and the seriousness and good will with which they are being studied in Washington. Secretary Marshall feels that the importance of these matters and the necessity for wide and whole-hearted public support in the United States require that they be approached with the greatest prudence and circumspection and full development of the facts. Hasty or ill-prepared action could easily promote disunity rather than unity both in the United States and among European countries. It will be clear to Mr. Bevin that there is no possibility of completing the necessary negotiation of these matters in time to permit Congressional consideration at the present session. The time between the impending adjournment of the present session of Congress and its reconvening in January can nevertheless well be utilized for the explorations and conversations which will in any case be necessary. The United States will of course give full consideration

¹ See footnote 1, p. 118.

to the views of the British, French, and Benelux countries in these conversations.

758.00/6-348

Memorandum by the Secretary of State to President Truman

CONFIDENTIAL

[WASHINGTON,] June 3, 1948.

Subject: Swedish Neutrality Policy

Background

Sweden has followed stubbornly a policy of neutrality which since the end of the war has been of more benefit to the Soviet Union than to the Western countries. Sweden is now trying to win Norway and Denmark to this policy which is more likely to weaken the ability of all Scandinavian nations to resist aggressive Soviet expansion than to enable them to withstand it.

Recommendation

When you talk with Prince Bertil of Sweden and Sven Dahlman of the Swedish Foreign Office on June 4 in Chicago, it is suggested that you avoid any expression of approval of the neutrality policy followed by Sweden. If the opportunity arises, it is also suggested that you inform them of the concern felt by the American Government over the neutrality policy followed by Sweden. The issue in the world today is not a matter of choosing between two great power blocs, as seems to be widely believed in Sweden, but is rather the question of the survival of nations which believe in freedom and democratic processes. Such nations have a common interest, and a neutrality policy which reveals a division among the free nations of the world can only serve to invite aggression.

Our Ambassador in Sweden, Mr. Matthews, during recent months has explained the American position fully to officials of the Swedish Government.¹

G. C. MARSHALL

¹ On the morning of the day that Marshall directed this memorandum to the President, June 3, Matthews conferred with Swedish Foreign Minister Undén at the latter's request. Each reviewed the reasoning behind his country's policy regarding Swedish neutrality. Matthews closed his report, telegram 675, with the observation that he had no illusions that Undén would change his policy; yet he believed that at least there would be no uncertainty in the mind of the leading apostle of Scandinavian neutrality as to where the United States stood in the matter. (Telegram 675 from Stockholm, not printed: 758.00/6-348.)

840.00/5-1548: Telegram

The Secretary of State to the Embassy in Sweden

SECRET

WASHINGTON, June 10, 1948—6 p. m.

410. Attitude other participants western union toward Scand adherence substantially same that of Dutch reported Embtel 591.¹ Brit have indicated to Dept desire for participation Scand but doubt that Swed would abandon neutrality. They are working on Nor. French view is as reported in Paris 20 to you May 21.² Belgians agreeable to all Scand adherence but believe Swedes will cling to neutrality. Spaak attaches greater importance to getting five-power machinery working effectively than to haste in admitting additional countries. Permanent Commission Western Union has not discussed extension invitation to any other country. Attitude Scand countries is being taken into consideration by it and believed to be dependent in part on degree of security which Western Union might offer which in turn involves role of US. Since our role not yet crystallized it is difficult for us to attempt to influence Scand. We fully agree on your estimate of effect on Swed of Nor and Dan adherence.

MARSHALL

¹ In telegram 591, May 15 from Stockholm, not printed, Matthews informed the Department that the Dutch Minister in Sweden had received from his government the word that if Sweden (or Norway and Denmark) voluntarily gave indications of a desire to adhere to the Brussels Pact, such adherence would be very welcome (840.00/5-1548).

² Telegram 20 to Stockholm repeated telegram 2694 to the Department from Paris of the same date, not printed (840.00/5-2148).

Senate Resolution 239 (Vandenberg Resolution), June 11, 1948¹

Whereas peace with justice and the defense of human rights and fundamental freedoms require international cooperation through more effective use of the United Nations: Therefore be it

Resolved, That the Senate reaffirm the policy of the United States to achieve international peace and security through the United Nations so that armed force shall not be used except in the common interest, and that the President be advised of the sense of the Senate that this Government, by constitutional process, should particularly pursue the following objectives within the United Nations Charter:

- (1) Voluntary agreement to remove the veto from all questions in-

¹ For information concerning the drafting of this resolution, see p. 118, footnote 1.

volving pacific settlements of international disputes and situations, and from the admission of new members.

(2) Progressive development of regional and other collective arrangements for individual and collective self-defense in accordance with the purposes, principles, and provisions of the Charter.

(3) Association of the United States, by constitutional process, with such regional and other collective arrangements as are based on continuous and effective self-help and mutual aid, and as affect its national security.

(4) Contributing to the maintenance of peace by making clear its determination to exercise the right of individual or collective self-defense under article 51 should any armed attack occur affecting its national security.

(5) Maximum efforts to obtain agreements to provide the United Nations with armed forces as provided by the Charter, and to obtain agreement among member nations upon universal regulation and reduction of armaments under adequate and dependable guaranty against violation.

(6) If necessary, after adequate effort toward strengthening the United Nations, review of the Charter at an appropriate time by a General Conference called under article 109 or by the General Assembly.

840.00/6-1448

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[WASHINGTON,] June 14, 1948.

Participants: The British Ambassador
Sir John Balfour
The Secretary
Mr. Kennan
Mr. Wailes¹

The British Ambassador called by appointment at 12:15 today and said that he had been requested by Mr. Bevin to take up with me three matters of some urgency, the first and principal one relating to the proposed quadripartite discussions on Western Europe. The other two, which I will cover in separate memoranda, dealt with (a) a personal message from Mr. Bevin on general Anglo-American relations,² and (b) the former Italian Colonies.³

After summarizing for me the contents of the attached telegram from Mr. Bevin, dated June 1, the Ambassador said that there were several questions which Mr. Bevin had asked him to raise. First, he would like to know, if possible, our views on the preliminary reply

¹ Edward T. Wailes, Chief of the Division of British Commonwealth Affairs.

² *Infra*.

³ Memorandum on former Italian colonies not printed.

with respect to military cooperation of the Western European powers.⁴ I replied that we appreciated receiving this information. I said that we would hope to have more detailed information later but realized that there had been little time to prepare the reply and that certain of the questions, such as standardization of arms, would have to be worked out over a considerable period of time.

The British Ambassador then inquired when we might be prepared to start quadripartite discussions, which he amplified by saying that by quadripartite, Mr. Bevin had in mind representatives of the U.S., France, the U.K., and one from the Benelux Powers. If agreeable to us, Mr. Bevin would also like to see the Canadians included. I said that as he knew the House of Representatives was now considering a Resolution similar to the Vandenberg Resolution, it would seem desirable to await the House's action. If they failed to come to a decision before Congress adjourned,⁵ we would be prepared to go ahead on the basis of the Vandenberg resolution. If, however, they modified it we would wish to take this into consideration. In discussing the matter further it developed that two series of talks would be necessary, one by the military experts and the other on the political side where careful consideration would have to be given to the form which our cooperation was to take, as this obviously would have its effect on the Scandinavian countries, on the USSR, et cetera. I then told the Ambassador that the question of timing was of great importance and mentioned as an example our hesitation about even presenting to the Soviet Government a note requesting them to reduce the size of their establishments in this country to that of our establishments in the USSR. In this connection, I pointed out that with the Vandenberg resolution, the ECA program, increases in air force appropriations, recent direct speeches about the USSR, et cetera, we were building up quite a pressure so that a small matter such as even the size of diplomatic establishments would have to be carefully considered from the standpoint of timing.

Returning to the question of the quadripartite political conversations, Mr. Kennan expressed the view, in which I concurred, that these should be entirely exploratory and directed toward ascertaining the area of agreement among us concerning the requirements of the situation and the probable effects of the various possible courses of action. He added that it would be a good thing if the Canadians could be included.

[MARSHALL]

⁴ Reference here is to the contents of May 14 telegram 2128 from London, p. 123.

⁵ Congress adjourned without House action.

[Enclosure]

Substance of a Telegram From Mr. Bevin of June 1st

I thank Mr. Marshall for his message of May 28 and I fully realise all his difficulties and fully agree with the general statement of principles contained in his admirable speech in Portland, Oregon.⁶ It seems to me, indeed, that these principles are equally valid as regards the conduct of foreign policy by any democratic State, and I was particularly struck by what Mr. Marshall said about the short-term advantages possessed by totalitarian diplomacy, based as it is on deliberate and cynical propaganda.

2. I was also much impressed by Mr. Marshall's insistence that only "a firm and determined course can save the situation for the democracies". Faced as we are by a determined opponent of everything that democracy represents, I am quite sure that we can only be saved by a collective display of firmness and determination. In fact the essential thing is to get a clear agreed policy. We should know what our ultimate aim is and clear the details so far as possible and then unwaveringly pursue our policy. This is why it is so important that the long promised quadripartite discussions about Western Europe should be no longer delayed.

3. I cannot agree that the situation in Europe will not further deteriorate if conversations on security are postponed until after Congress rises. As Mr. Marshall is aware, the recent Soviet peace offensive has had a considerable success, at any rate on this side of the Atlantic, and it seems above all necessary to give the French some additional hope of a really workable Security System if they are to be induced to accept the plan for Germany. We must also keep in mind the danger that a separate "neutral" Scandinavian System will develop if the question of mutual support as between Western Europe and the United States is left in the doldrums. I would therefore earnestly beg him to consider the possibility of holding the quadripartite talks as soon as possible.

4. It is true, of course, that the situation would not be completely met if the United States is not able itself to sponsor an Atlantic System in the quadripartite talks. But the summoning of the talks would probably in itself hold the position for a period and it would enable the Western Powers to advance their own ideas as regards general regional security.

⁶ An address made before the General Federation of Women's Clubs in Portland, Oregon on May 28, 1948. See press release of the same date or, for excerpts, see Department of State *Bulletin*, June 6, 1948, p. 744.

5. As regards attendance at the talks, I should certainly hope myself that the Benelux Powers would agree to one of their number acting as a spokesman even if they insisted upon separate representation and I should trust that the Americans would indicate firmly that this would be the right course. We should be delighted if the Canadians were also present. No doubt an agreed explanation of their presence could be worked out between us beforehand.

840.00/6-2348 : Telegram

The Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, June 23, 1948—8 p. m.

2251. For Ambassador's eyes only. We have today advised French, Brit, Canadian, Belgian and Netherlands Embs we would be ready to begin top secret exploratory talks pursuant to Vandenberg Res with them on June 29. We contemplate exchange of views on following tentative agenda: (1) situation in Europe as it affects security, including estimates of Soviet intentions; (2) security measures taken and to be taken in Europe by Brussels signatories; (3) security relations with other Western European countries; (4) nature of US association under Vandenberg Resolution with European security arrangements.

They were told we did not consider any military representatives or anyone coming especially from their FonOffs would be necessary.

Lux Min also advised but he is going on leave leaving no representative here.

Sent to Paris; rptd for Ambassador's eyes only to Brussels, The Hague and Ottawa.¹

MARSHALL

¹ A similar announcement for Ambassadors' eyes only was included in telegram 2356 to London of June 23 and repeated on June 29 in telegrams 312 to Oslo, 415 to Copenhagen and 469 to Stockholm; none printed. The following paragraph was added to telegrams 312, 415 and 469: "Norwegian and Danish Ambassadors here have been advised of foregoing. Norwegian and Danish Foreign Ministers may be top secretly advised that while at least in first instance talks will be purely exploratory and limited to diplomatic representatives of Brussels signatories and Canada we have problem of Norwegian and Danish security much in mind. Pending further developments we hope no action will be taken which would render Norwegian and Danish, and we hope eventually Swedish, participation in Western European security arrangements in association with US more difficult." (840.20/6-2948.)

S/S-NSC Files ¹ Lot 63D351, NSC 9 Series*Report by the National Security Council*TOP SECRET
NSC 9/3

[WASHINGTON,] June 28, 1948.

THE POSITION OF THE UNITED STATES WITH RESPECT TO SUPPORT FOR
WESTERN UNION AND OTHER RELATED FREE COUNTRIES ²

THE PROBLEM

1. To assess and appraise the position of the United States with respect to adequate support for the free nations of Europe: to strengthen their determination to resist aggression, to increase their confidence that they can successfully do so, and to reduce the risk of war by deterring any government from attempting further aggression through confronting it with evidence of collective determination, including that of the United States, to resist.

CONCLUSIONS

2. Senate Resolution 239 which was approved during the recent session of Congress (text attached in the Annex ³) should be implemented to the fullest extent possible in so far as its provisions apply to the problem discussed in this paper.

3. The Department of State now should undertake the Washington conversations requested by Bevin and Bidault with representatives of the British, French and Benelux Governments. They should be advised that the President is prepared to designate United States military representatives to attend the London Five Power military talks on a non-membership basis with a view to participating in conversations on military plans and on the matters set forth in paragraph 6 below. We should seek to convince them of the wisdom of proceeding with military talks during the next several months without seeking U.S. commitment more formal than that given in the President's March 17th message and the Senate Resolution at least until there has been more time for the development and practical implementation of the Brussels Treaty system.

¹ Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947-1961, as maintained by the Executive Secretariat.

² President Truman approved without change on July 2 the conclusions contained in this report and directed that they be implemented by all appropriate Executive Departments and Agencies of the U.S. Government under the coordination of the Secretary of State (memorandum for the National Security Council, by Admiral Souers, July 2, 1948, not printed: S/S-NSC Files, Lot 63D351).

³ Text printed on p. 135.

4. The Department of State should explore with the five Governments the problem of increasing the security of Norway, Denmark, Iceland, Italy and perhaps Portugal and Sweden through integration into or through some form of association with the Brussels Treaty system or otherwise. When circumstances permit, the matter of adherence to the Brussels Treaty of other countries, such as Spain, Germany (or the Western zones) and Austria (or the Western zones) which logically might belong in the Brussels Treaty group, should be explored.

5. The Department of State should seek to arrange Canadian participation in the London military talks, provided the Canadian Government is prepared to take part.

6. The National Military Establishment should participate in the continuing military conversations in London. It should be made clear throughout that the ERP precedent should be followed and that: (1) they must first plan their coordinated defense with the means presently available, (2) they must then determine how their collective military potential can be increased by coordinated production and supply, including standardization of equipment, (3) we would then be prepared to consider and screen their estimates of what supplementary assistance from us was necessary, (4) we would expect reciprocal assistance from them to the greatest extent practicable, and (5) legislation would be necessary to provide significant amounts of military equipment but the President would not be prepared to recommend it unless the foregoing conditions have been met.

7. If, as a result of its diplomatic talks with the British, French and Benelux representatives, the U.S. Government became convinced that some further political commitment was necessary at this time to bolster public confidence in Western Europe, the U.S. Government should discuss with the parties to the Brussels Treaty some form of association by the U.S., and if possible Canada, with them along the lines recommended in the Senate resolution. No U.S. commitment should be entered into in such talks without the fullest bi-partisan clearance here. Nothing should be done requiring Congressional action prior to next January.⁴

⁴National Security Council paper NSC 9/3 (PPS 27/2) differs from NSC 9/2 of May 11, not printed, in its omission in paragraph 3 of direct mention of possible USSR aggression, its addition in paragraph 4 of the possibility of later adherence to the Brussels Treaty of countries such as Spain, Germany and Austria, and its slight alteration of wording both in the main section and in the annexed text of Senate Resolution 239.

S40.00/6-2948 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET US URGENT

PARIS, June 29, 1948—7 p. m.

3436. For the Secretary and Under Secretary. In strictest confidence Bidault showed to me a draft telegram which is being sent to Bonnet (now being cleared with Prime Minister Schuman and National Defense Minister Teitgen) setting forth the French views on the security problem of the Western democracies. Following is résumé of Bidault's draft telegram :

(*Begin résumé*) As the French Government sees it, the Western democracies are faced with (1) an eventual threat, which is Germany; (2) an actual threat, which is the Soviet Union; (3) an immediate threat which is Soviet action in Germany. As the French understand it, the last two threats enumerated above are the ones which particularly concern the United States Government.

The essential elements of this problem are Soviet Russia's real intentions, which are difficult clearly to define at this time. While it is reasonable to doubt that the USSR is disposed to tolerate indefinitely the existence of a capitalistic system, there is on the other hand, no clear indication that the USSR is now prepared to make war, particularly because of the economic difficulties which the USSR is experiencing and the lack of sufficient military preparedness. But it seems equally certain that the USSR will (*a*) defend itself against any attack or (*b*) will be prepared to engage in hostilities if it believes that it is seriously threatened. The latter is particularly true if the USSR believes that its adversaries are unprepared. Therefore in connection with this last point, Soviet intentions would seem to depend to a very considerable extent on the intentions and degree of preparedness of the United States.

In the view of the French Government the present danger is the weakness of the Western European powers, and the sole method to overcome it would appear to be the reconstitution of the effective military strength of Europe and the cooperation of this Europe with the United States. What the French Government desires is not a spectacular system of guarantees, but an effective and concrete system of assistance.

Cooperation between Western Europe and the US should be effected on three planes: conception, preparation, and execution. (1) Insofar as "conception" is concerned, it is obviously centered in the US which explains the French desire to be admitted into the US-UK military commission (CCS) which sits at Washington, to enable France to participate (in the event of hostilities) in considerations involving the conduct of a war.

(2) [Insofar as] "preparation", particularly measures common to the Brussels Pact signatories, is concerned, it is centered in London, and it is imperative at the earliest possible moment to establish an effective liaison between the London military committee and Washington. It was with this in mind, that the French suggested that a US observer be assigned to the London military committee, in order to

keep the US fully informed and to obtain the reaction of the US to various questions as they arise.

(3) "Execution" for the moment is centered in Germany and requires the closest possible cooperation not primarily between the Brussels Pact signatories or between the Brussels Pact signatories and the US, but between the three occupying authorities (US, UK and France). Such cooperation exists inherently, but should be made an effective reality by the creation of a single command for the Allied troops of occupation, in order best to utilize the military means of the three occupying powers.

The foregoing observations apply for the moment primarily to the problems with which the Brussels Pact signatories are dealing, and the French Government does not feel that the scope of the Brussels Pact can well be extended until the ground which has thus far been covered has been consolidated.

In this connection, the French Government believes that Italy, for example, should belong to another defensive system covering both shores of the Mediterranean and extending to Persian Gulf and Northern Iran frontier. The problems in this theater should subsequently be examined but not in the framework of the Brussels Pact.

The French Government believes that discussions should take place in Washington between the US, Britain and France on the foregoing, and in view of the role played by Canada in the late war that it is justifiable and desirable that Canada also be included. (*End résumé*)

CAFFERY

840.00/7-248 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET US URGENT

LONDON, July 2, 1948—6 p. m.

2949. For the Secretary and Lovett (eyes only) from Douglas. Reference Deptel 2430, June 28 and Embtel 2879, June 29.¹ Jebb handed me personally the following report on the work of the Permanent Commission of the Brussels Treaty and the progress report on the work of the Military Committee:

PROGRESS REPORT OF THE SECRETARIAT-GENERAL

"Article VII of the Brussels Treaty which was signed on 17 March 1948 by Belgium, France, Holland, Luxembourg and the United Kingdom provided for the creation of a Consultative Council which would meet at regular intervals to discuss the problems involved in carrying out the terms of the Treaty and to decide the best measures to be adopted to put these terms into effect.

¹ Neither printed.

"On 17 April in Paris, the five Foreign Ministers laid down that this Consultative Council, which would consist of the Foreign Ministers of the signatory states, should be set up to meet not less than once in every three months in each of the respective capitals in turn. At the same time, a Permanent Commission was created, to be composed of the diplomatic representatives of the five countries in London and a representative appointed by His Majesty's Government especially for this purpose, to be assisted by a secretariat.

"The Permanent Commission has until now largely been concerned with organizational questions. It held its first meeting on the 24th April at Lancaster House, where the Secretary-General and his staff have their offices for the time being, although possibilities of permanent accommodation elsewhere in London are being investigated. The Commission agreed to hold meetings regularly once a week and more often when a special need arises. A summary of these meetings is kept by the Secretary-General and circulated to the members of the Commission. The chair is taken in rotation, changing with that of the Consultative Council, every three months.

RELATIONSHIP OF THE PERMANENT COMMISSION WITH OTHER BODIES

"The first object of the Permanent Commission was to define its status in relation to other international bodies. This was broadly defined, it being agreed that the Permanent Commission acts for the Consultative Council when the latter body is not in session, in which circumstances the representatives assumed to represent the views of their Foreign Ministers. As the Consultative Council has no secretariat of its own, it was decided that the Secretary-General should act as secretary for the Consultative Council when in session. It was further agreed that meetings of the Ministers of the Five Powers, other than meetings of the Defense Ministers, should be convoked by the Permanent Commission, to whom reports of such meetings are submitted and who again supplies the secretariat.

"The Defense Ministers make their own decisions as to when to meet but keep the Permanent Commission informed of their activities, and the Secretary-General represents the Permanent Commission at such meetings. The Military Committee, the creation of which was provided for by the Paris communiqué of 17 April as the Working Party for the Defense Minister's meetings (see below), functions under the control of the Permanent Commission with whom it maintains through the respective secretariats a close liaison. The Permanent Commission moreover supplies political guidance to the Military Committee and to meetings of Ministers or to any other meetings or bodies of experts it has been found necessary to convoke. It draws up

the agenda for the Consultative Council meetings upon which reports of all Minister's meetings automatically figure. The Permanent Commission also considers what other items are deserving of treatment and brings them forward in agreed form to the Consultative Council.

Security

"Side by side with the progress of military discussions comes the question of safe-guarding them with sufficient secrecy. As the whole fact of the pooling of plans, forces and weapons loses its cogency if known to other countries and particularly to potential enemy powers, the need for security is paramount. The Commission recognized two distinct questions: (A) The safe-guarding of the secrecy of the military and political talks in their present stage, and (B) the much wider aim of mutual cooperation against subversive activities and infiltration, it being recognized that both the safety of the five countries and the efficient safe-guarding of military secrets depended to a large extent on adequate action against these dangers particularly in government departments, services and industries. This aspect is also being studied, and it is hoped that Ministers will be able to take the necessary decisions at their meeting at The Hague on 19 July next.

"A system has been introduced, as from 26 May 1948, to keep the diplomatic representatives of the Five Powers in Paris, The Hague, Brussels, Luxembourg and Washington currently informed of developments in the Permanent Commission and its satellite bodies. In this way, the Foreign Office in the four capitals make available secret documents to the heads of the five diplomatic missions on the spot and the British Ambassador to the United States acts in the same way for the supplying of information to the Five Powers in Washington.

Publicity

"A subject which is closely allied to security is that of publicity. It has been agreed that, the very nature of the Commission precluding publicity on its military and political aspects which would lose their efficacy if known to all and sundry, publicity should be given to the activities of the Commission only when it is necessary in which case communications should only be made, either in London or in any of the four capitals, by the secretariat.

"The question of the publicity to be given to the military side of the Commission had been raised, it being queried whether some form of statement might act as a timely stimulant to the morale of the population of western Europe. Taking into account the fact that such a statement might be considered provocative by potentially hostile powers, the Commission decided to ask the Military Committee for its views. The Military Committee felt that any publicity about its work

or about itself would be undesirable so it has therefore been decided that no publicity should at present be given to the military discussions, although in the future in connection with possible military talks in Washington, some publicity might be inevitable.

UNITED NATIONS ASSEMBLY SPECIAL COMMITTEE

"The necessity was recognized by the Five Powers to set up a committee which would have regular meetings to follow up the Assembly and the Permanent Commission have approved the creation of a Special Committee, consisting of representatives chosen from the Five Power delegations to the Assembly to study and follow up questions of mutual interest raised in the Assembly in an endeavor to arrive at a common viewpoint.

"The Permanent Commission will attempt, as soon as the agenda for the Assembly is known, to discuss, after selection on broad lines the problems on the United Nations agenda which will be of interest to the Five Powers. A list of subjects which may figure on the agenda has already been circulated to the Commission for consideration.

Economic

"It was recognized that there was no present need for the creation of special economic or financial committees under the Treaty, as existing international organizations (such as the OEEC and ECE) upon which Five Powers were all represented provided adequate media for discussion at the present time.

Social and Cultural

"As regards social and cultural matters a considerable amount of work has already been done by each of the five governments, and some of them have already handed in memoranda giving their views on the organization required in both these fields. When the views of the governments have been circulated, which it is hoped will be before 5 July, it is the intention to form sub-committees of experts to try to work out concrete recommendations in both the social and cultural fields for submission to Ministers at the next meeting of the Consultative Council. It is expected that when the plans have been approved there will be a considerable expansion of work involving the establishment of more committees and sub-committees, to say nothing of occasional meetings of Ministers."

SPECIAL PROGRESS REPORT FOR THE INFORMATION OF THE US AMBASSADOR IN LONDON

"The Military Committee of the Five Powers was set up by order of the Defense Ministers of the Five Powers on 30 April 1948. It was

given as its first task the preparation of answers to set of questions which had been posed by Mr. Lovett.

"It produced the answers to these questions on 12 May.²

"2. These answers were necessarily in broad terms only and it is clear that before the many issues these questions raised can be settled, a great deal of work will have to be done by the Military Committee. The Military Committee, therefore, proposed to the Defense Ministers a charter to govern its work. This charter is comprehensive, it establishes the constitutional powers of the Military Committee and it indicates the ultimate object of its work. The charter has now been approved by some of the Five Powers and is under active consideration by the others.

MAIN OBJECT OF THE COMMITTEE

"3. The main object of the Committee is to propose methods of organizing and preparing jointly the building up and the eventual use in the field of the forces of the Five Powers for the defense of western Europe.

"4. In pursuit of this object the Military Committee has taken the following action:

"(A) Strategic concept and outline plan. The staffs of the Five Powers are now considering the strategic concept for the defense of Europe as far east as possible in Germany against the background of a world strategy. These studies will be compared and correlated by the Military Committee who hope to put forward a combined view to the Chiefs of Staff of the Five Powers by the end of August.

"The Military Committee then proposes to go on to examine an outline plan in support of the concept.

"(B) Organization of the Armed Forces of the Five Powers. The Five Ministers of Defense have now approved the establishment of three Service Advisory Committees who will report through the Military Committee to the Chiefs of Staff. These Service Advisory Committees will be mainly concerned with questions of defense policy and organization which are the special concern of their respective services. For example, the problem of standardization will be one of the main concerns of the Service Advisory Committees. The Military Committee will examine all reports from the Service Advisory Committees and will ensure that the inter-service aspects of all defense problems are covered.

"The Air Advisory Committee has in fact already made considerable progress. It has agreed [on] a common air defense plan, it has made arrangements for the training in the United Kingdom of selected flying and technical personnel and it has made some progress over the provision of equipment and aircraft. It seems probable also that agreement will be reached for the use of a common language—which will be English—for the operational control of fighter aircraft in the air.

² See telegram 2128, May 14, p. 123.

"The other Service Advisory Committees will shortly make progress on the same lines.

"(C) Inventories. As a necessary adjunct to the work on the strategic concept and also to the work of the Service Advisory Committees, the Military Committee has set in hand a stock-taking of its actual and potential military forces and resources. These inventories have already been provided by some of the Five Powers for the information of the Military Committee and will be examined and compared by the Military Committee.

ORGANIZATION OF THE COMMITTEE

"5. In pursuit of the above aims the full Military Committee meets weekly and there are also meetings of Steering Committees appointed by it to examine and clarify certain particular problems. In addition the Committee has frequent informal meetings at which it discusses defense matters of mutual concern and at which preliminary views are exchanged on subjects which will ultimately come to the Committee as formal resolutions.

"6. All delegations have offices in the Central Building at No. 36, Whitehall, and this ensures a constant exchange of views. All delegations equally have close contacts with their own staffs and pay frequent visits to their own capitals.

"7. For all its work the Committee has adopted a special system of security. This system is designed to safeguard the security of all documents.

"8. As the work proceeds and new problems emerge certain developments in the organization are likely to be required. For example, the Committee is now considering the possibility of recommending a Military Supply Board of the Five Powers which will deal with questions of production and procurement."

DOUGLAS

840.20/7-648

Minutes of the First Meeting of the Washington Exploratory Talks on Security, July 6, 1948, 11:30 a. m.

TOP SECRET

Present: The Under Secretary of State, Mr. Bohlen, Mr. Hickerson, Mr. George Butler, Mr. Achilles;
The British Ambassador,¹ Mr. Hoyer Millar, Mr. Maclean, Mr. Henderson;²
The French Ambassador, Mr. Bérard, Mr. Wapler;³

¹ Sir Oliver S. Franks.

² J. N. Henderson, Second Secretary, British Embassy.

³ Armand Bérard, Minister-Counselor, and Arnauld Wapler, Counselor, French Embassy.

The Netherlands Ambassador, Mr. Jonkheer Reuchlin, Mr. Vreede;⁴

The Belgian Ambassador, Mr. Taymans, Mr. Vaes;⁵

The Canadian Ambassador, The Canadian Undersecretary of State for External Affairs,⁶ Mr. Stone.⁷

After his opening words of welcome, MR. LOVETT referred to the Vandenberg Resolution as being the basis of the United States approach to the problems of mutual security and defense in Western Europe. In this connection he referred to the long-standing arrangements between the U.S. and Canada for their common defense.

He then recalled Mr. Bevin's approach to the United States Government early this year in which he expressed that belief that the political, military, economic and spiritual forces of Western Europe must be integrated into "some form of union, formal or informal, backed by the United States." For its part, the United States Government welcomed this approach. It had, however, to make sure, particularly in an election year, that any conversations in which the U.S. would participate would have the backing of the vast majority of the American people. The Administration, therefore, had to determine the scope within which discussions could profitably take place and to establish basic criteria under which, within the framework of the United Nations, the United States could make a useful contribution to security in Europe.

MR. LOVETT then went on to explain that in their approach to Congress the Administration had two alternatives:

- (i) either to go to the Senate to seek immediate ratification of some kind of agreement, or
- (ii) to approach the whole Congress under constitutional provisions for consultation and advice on policy.

The second course was decided upon and the result was the Vandenberg Resolution, which he described as an extraordinary paper in American history, as a statement of policy in advance. The House of Representatives failed, owing to legislative complications, to approve a similar resolution. MR. LOVETT said that while it would have been good to have this additional authority, the administration did not regard it as essential, particularly since they well knew the intent of the Foreign Affairs Committee of the House, which had unanimously reported such a resolution.

⁴ J. Reuchlin, Minister, and C. Vreede, First Secretary, Netherlands Embassy.

⁵ Roger Taymans, Counselor, and Robert Vaes, Attaché, Belgian Embassy.

⁶ Lester B. Pearson.

⁷ Thomas A. Stone, Minister, Canadian Embassy.

The Under Secretary then went over the Resolution, clause by clause, and made the following points:

(a) The important point in this paragraph 2 is the emphasis placed on regional and other collective arrangements and the fact that the Senate has put itself in a position not only of approving but also of recommending such arrangements.

(b) Paragraph 3 sets out the basic conditions of association by the United States in any security arrangements established under paragraph 2. United States association is limited to arrangements which are based on continuous self-help and mutual aid and in circumstances involving the national security of the United States. Self-help and mutual aid, Mr. LOVETT said, are the two basic criteria to which he made reference earlier. The United States Government read "national security" in the light of Western Hemisphere security.

The discussions which were about to take place in Washington, therefore, were based, insofar as the United States was concerned, on the preamble and paragraphs 2, 3 and 4 of the Senate Resolution. Mr. LOVETT emphasized that any results achieved would have to be referred to Congress for concurrence and ratification and that any positive action, such as military aid, would require legislation and appropriations. At this point Mr. LOVETT said that the United States did not contemplate any kind of a guarantee—the United States could not, under any circumstances, guarantee the peace of the world. The approach of the United States Government, with the concurrence of the United States Congress, to these problems of regional security, however, did represent a substantial departure from the former foreign policy of this country.

Mr. LOVETT wished the meetings to be completely informal, with frank exchanges of view. The general idea of the State Department was that there should be a preliminary canter over the questions which had been tentatively put forward as an agenda, following which there would be a breakdown into a working party or working parties to discuss details. The talks in Washington, in his view, should cover the political field; military problems should be dealt with by discussions in London.

Insofar as military talks in London were concerned, he said that if it was agreeable to the Brussels Pact countries, the United States, and he assumed Canada, would send representatives to London to meet with the military committee there. The United States had already received an informal invitation to send qualified officers, and the U.S. Chiefs of Staff had already considered the terms of reference for these officers, which he would hope to make available in the near future. Mr. WRONG said that he would be very glad if he could be kept informed of what the United States was doing in this regard, and

added that presumably Canada would be receiving an invitation of some kind from the Brussels countries to send military observers to London. It was assumed that such invitations would be forthcoming.

He emphasized the need for absolute security. A leak, particularly during the political campaign in the United States, might throw the whole enterprise into jeopardy. Political heat in this country will increase up to election day, and scars will be left afterwards. Any leak as to the subjects of discussion in these meetings, therefore, might cast a cloud over the whole plan. The State Department for its part was, therefore, limiting the number of people involved in these discussions to an absolute minimum.

Insofar as the press was concerned at the moment, Mr. LOVETT proposed a brief statement today. The text of this statement was *agreed* and is attached.⁸

SIR OLIVER FRANKS observed that the Brussels countries were taking strict security measures to prevent leaks concerning discussions between them, and it was suggested that similar measures might be adopted in Washington.

MR. LOVETT then mentioned some difficulties which might be anticipated, and some thoughts which the State Department had had on the general problem, as follows:

(1) The question of how to bring into these talks and out of them the idea that the security of other European countries was not being ignored.

(2) The expression "military lend lease" was unpopular in the United States. As the Senate debate clearly showed, this was one of the reasons for emphasizing the self-help and mutual aid aspects of any arrangements which might be reached.

(3) In some quarters in the United States, there were objections to the ideas now being discussed. The State Department and the Administration, however, sincerely believed that there was a general disposition in the U.S. to find a satisfactory solution to the security problems of Western Europe and related security problems of the Western Hemisphere.

(4) The United States would endeavor in these talks to develop thoughts of closer military, political, economic and spiritual union between the countries of Western Europe. Opinion in the United States formed the establishment of a permanent system of security in Western Europe by modern and lasting methods. The countries party to the Brussels Pact might provide the hard core. A phrase had been used in the Senate that the United States could not afford "to re-build a fire trap." In other words, that European security must be rebuilt on a much sounder basis than in the past.

⁸ Press release issued July 6, 1948, by the Department of State, printed in the Department of State *Bulletin*, July 18, 1948, p. 80.

840.20/7-648

*Minutes of the Second Meeting of the Washington Exploratory Talks
on Security, July 6, 1948, 4 p. m.*

TOP SECRET

Security

SIR OLIVER FRANKS distributed copies of a proposal (copy attached ¹) from the Brussels Treaty Permanent Commission concerning security of records of the Washington talks. It was *agreed* that, in the interests of secrecy and of keeping the respective Governments uniformly informed, the proposal should be accepted, the agreed minutes to consist only of a summary as brief as possible of the principal points brought out at each meeting.

Meetings

It was *agreed* that for the time being the group should meet once daily, at 10 a.m. MR. LOVERT suggested that the chairmanship should rotate. At the suggestion of AMBASSADORS WRONG and VAN KLEFFENS it was *agreed* that the chairmanship, which would in reality provide merely guidance for the discussions, should be held by the U.S. representative.

Item (1) The situation in Europe as it affects security including estimates of Soviet intentions. M. BONNET thought the approach to item (1) should be the question of what could be done to end the present feeling of insecurity in Western Europe. This feeling was general despite the absence of any specific evidence of immediate military aggressive intentions on the part of the USSR. What immediate measures could be taken in the military as well as other fields, and how would it be possible to reconstruct as soon as possible the military potential of the parties to the Brussels Treaty?

MR. LOVERT believed we should consider what had created the sense of insecurity and what was the nature of the threat. Was it one of immediate military action, of invisible penetration (as in Czechoslovakia), or was it an indefinable threat? We should then consider the opinions of our respective intelligence agencies and military staffs on the problem, including whether the Russians contemplated war now or in, say, two years. Certainly the time element would affect the nature of the decisions taken. M. BONNET said we must consider the effect

¹ The proposal, not printed, outlined a procedure known as Metric which precluded the transmission of documents except by accompanied bag direct to the Metric registry of the Foreign Office in London for distribution from that point, insisted upon abstention from all telegraphic and telephonic communications, and limited to a very restricted number the persons permitted access to the documents in question. The proposal is in the form of an annex to the minutes (840.20/7-648).

on Russian intentions of the strength or weakness of Western Europe. Mr. LOVETT thought we should also consider the bearing of logistics on timing.

SIR OLIVER FRANKS believed the whole agenda should be considered from the point of view of the community of interest on both sides of the North Atlantic. Whatever their superficial differences, the countries here represented had something in common apart from geography, namely, one great common conception of democracy, the conviction that the state exists for the individual. Freedom was essential to us but a corrosive poison to the countries of the East. Therefore we are inevitably the objects of suspicion or aggression in one form or another from the East. The internal logic of the Soviet system demands an attempt at world domination, and their first objective would be the eastern side of the North Atlantic. The Old World would then be in their power and the countries on the west of the Atlantic immediately threatened. The threat was of common concern to all members of the North Atlantic community. The Russians had two possible techniques: aggression and infiltration. Their forces were strategically organized and disposed to make movement rapidly possible. Determination by the members of the North Atlantic community would minimize the risk of overt aggression. The threat was real. How could it best be deterred? If these talks should fail, it must be assessed much more gravely. Its imminence would depend on what we did.

Mr. LOVETT said that the United States had sought peace through weakness but that after many heartbreaks it had reversed its policy and was seeking to deter aggression by proof of determination. The only question was how its determination should be implemented.

Mr. WRONG felt that in the long view the Soviet Union must be considered a dangerous potential aggressor. It could afford to wait. Consolidation of the North Atlantic community would be the best means of postponing and perhaps eliminating the threat permanently. There might be short-range crises but consolidation should progressively reduce their seriousness.

BARON SILVERCRUYS considered that the fact this meeting was being held proved the feeling of insecurity. When freedom was threatened in vital parts of Europe, it was threatened everywhere. Insecurity is often aggravated by uncertainty as to the determination of other nations. Collective strengthening of our countries should eventually bring real security. In the meantime, the fullest measure of certainty as to the will of the nations involved would be the best deterrent to aggression.

Mr. LOVETT recognized the bearing on the problem of uncertainty as to U.S. intentions. Free institutions could only be preserved if free

peoples were prepared to go to the ultimate in defending them. The forces of evil had highly effective techniques and the only defense was full determination to resist. Agreed determination would remove uncertainty. There might be accidents or wars started to save face, but, considering the potency of new mass weapons, no nation could expect victory. We must make clear both our determination and the methods by which it would be backed up.

MR. VAN KLEFFENS was impressed by the unanimity indicated by the previous speakers. Before considering the cure he believed we should first discuss the evil. Russia has always shown expansionist tendencies. Like a gas, it filled every cranny it could. So far, its foreign policy has usually tended to move as a pendulum between the East and West. The question is whether that is still so, or whether Russia is at present active on both fronts at the same time. He had heard it said that Soviet pressure on Europe was coming to a close but he was not convinced. The Soviet Union was politically on the offensive with corresponding freedom of action. It could only be deterred by resolution and determination from the start. The threat was both military and ideological and we should deal with both aspects. The importance of the presence in Central Europe of Allied forces of occupation should not be forgotten. Western Europe was relatively weak and its anxiety natural, but he was convinced that the majority of people were too resilient, determined and devoted to freedom to submit as the Czechs had submitted.

MR. LOVETT noted a consensus of opinion that the Soviet Union was a threat and that the efforts to meet it should be directed to the ideological as well as the military threat. The respective countries should be strengthened to resist internal as well as external threats.

BARON SILVERCRUYS inquired as to the significance of the Warsaw Communiqué.²

MR. BOHLEN expressed the opinion that the Russians had recently become alarmed at losing ground on many matters, including their relations with their satellites. Their hopes of getting control of Germany were diminishing. Intensified Soviet propaganda in Germany had aroused Polish and Czech fears that an East German state might become the favorite satellite. The Communiqué was designed to reassure the satellites and at the same time to make a bid to get back into the German picture, particularly into the Ruhr. The blockade of Ber-

² On June 24, 1948, the Foreign Ministers of the Soviet Union, Albania, Bulgaria, Czechoslovakia, Yugoslavia, Poland, Rumania and Hungary, meeting in conference in Warsaw, issued a declaration critical of the decisions reached at the recently concluded London Six-Power Conference on Germany. For documentation on the London Six-Power Conference and the subsequent Warsaw Declaration, see vol. II, pp. 1 ff. and editorial note, p. 370.

lin was a means to the same end. The only new element in the Communiqué had been the proposal for evacuation of the occupation forces. MR. LOVETT added that the Russians clearly were seeking a new meeting of the CFM, that the rapid restoration of Europe under ERP was causing them constant and growing concern and that the Berlin situation undoubtedly represented an international danger of the first importance.

Procedure

M. BONNET stated that the Governments represented were awaiting not merely generalities but agreed proposals as to how the situation could be improved. MR. LOVETT said that before we could deal definitively with Item (4), much more information would be needed on what arrangements had actually been made in Europe. The United States would need the views of its military representatives on their return from London. M. BONNET observed that the development of European arrangements would also depend on the contribution of the U.S. military representatives to the work of the Permanent Commission. It was *agreed* that all four items on the agenda should be covered in a preliminary way this week and then be considered in greater detail.

840.20/7-748

Minutes of the Third Meeting of the Washington Exploratory Talks on Security, July 7, 1948, 10 a. m.

TOP SECRET

Item 2. Security Measures Taken or To Be Taken in Europe by the Five.

At Mr. Lovett's request Sir Oliver Franks described the framework within which the work of military integration was being carried on pursuant to the Five-Power Treaty. The immediate result of the Treaty had been establishment of the Permanent Consultative Council with its various subordinate bodies, including the permanent Military Committee established by the five Defense Ministers on April 30. The Military Committee's work so far had been divided into two parts. The first had been to answer certain questions asked by Mr. Lovett. In this connection Sir Oliver read Mr. Gladwyn Jebb's letter of May 12 to Ambassador Douglas and the accompanying report. He stated that this report was naturally provisional pending completion of the Committee's second task, namely preparation of the inventories of presently available and potential forces and resources and the formulation and implementation of further plans.

The Committee had formed advisory subcommittees and a Standardization Subcommittee. The inventory it was preparing of forces

and resources mobilizable in the near future had been nearly completed. Its inventory of potential forces and resources would take longer to complete. This involved working out a balance between manpower, industrial capacity and economic resources available for defense and for the normal economy. On the Continent, war production facilities had been destroyed or reconverted to civilian purposes and were of little immediate use for current military production. Military potential depended on a healthy economy.

Sir Oliver observed that the foregoing related to the long term. With regard to the point raised by M. Bonnet at a previous meeting concerning the need for short-term measures, the British Commander in Chief in Germany, and he believed the U.S. and French Commanders in Chief, had already been instructed to make concerted plans for emergencies. He suggested that the short-term phase could well be dealt with in this manner in Berlin and that the five-power organization should concentrate on the longer term.

Mr. Lovett said that Mr. Jebb's report had been of assistance in obtaining bi-partisan approval in the Foreign Relations Committee of the Senate Resolution. It was clear that the military men still had much to do on both necessities and possibilities. He pointed out that the presence of U.S. forces in Europe and the newly developed air potential did provide greater emergency strength than would otherwise have been the case.

Mr. Lovett said that in view of the ERP pattern and the emphasis placed by the Senate on "continuous and effective self-help and mutual aid" the U.S. administration must at some point present to Congress something corresponding to the CEEC report.¹ U.S. "association" could not succeed on a basis solely of military lend-lease. The objective should be some sort of regional collective security pact similar to the Rio treaty would be desirable. Mr. Lovett cited three additional requirements: (1) staff planning and understanding on logistics and procedures; (2) working out methods for making the load economically supportable in Europe and the U.S.; and (3) countering Soviet use of fear as a weapon. This last could not be accomplished by military force alone. Penetration could not be prevented by the provision of tanks and planes. The problem was broader than the purely military field. The association of the U.S. and Canada with the other nations of the North Atlantic community as evidence of mutuality of interest would be a deterrent although not a final answer since the U.S. and presumably Canada, could not undertake to go to war automatically over some event abroad. The Constitutional prerogative of Congress to

¹ Reference here is presumably to the July-September 1947, report of the Committee of European Economic Co-operation, publications 2930 and 2952 of the Department of State.

declare war must be preserved. The Senate Resolution was a great step but it obviously could not alter the American Constitutional process. Congress alone could declare war and its approval was essential to implementation of an arms program.

These conversations, leaving military topics to military men, must examine realistically possible counter-measures to prevent the Russians from fertilizing the sense of insecurity.

At Mr. Lovett's request Mr. Kennan discussed Soviet intentions. He expressed disbelief that the Soviet leaders contemplated launching world conflict by armed force. They had not yet repaired the devastated areas of Russia. The people were war weary. In view of the lessons of the two World Wars the Kremlin could not be sure of overcoming Europe without first knocking out North American industrial potential. It believed it could win ideologically more easily than militarily. It was not operating on any fixed timetable, and parallels between Stalinism and Hitlerism were dangerous.

The lack of a Soviet plan did not mean that the Russians might not be brought to take military action. The greatest danger would be in an abrupt weakening of their power in Eastern Europe, which in their view might leave no choice other than military action. Barring these possibilities of almost involuntary hostilities, the war, in the Soviet conception, was now in progress. The West could win this cold war. Alliances and military force cast shadows and influenced policy. Hitherto the Soviets have cast the longer shadow. The basic problem was how to give, individually and collectively, the greatest encouragement to the Western European countries and discouragement to Moscow, while being prepared at the same time to act if necessary. Two points must be kept in mind: the long-term trend, and what should be done if it became necessary to use force.

Mr. Bohlen added that the Politburo did not separate their military, political and economic policies but had rather a single integrated policy and used the threat of armed force to enhance fear. The West must guard against the trap of undue apprehension over the prospect of Russian invasion, with corresponding excessive military expenditures to the detriment of recovery. The Kremlin remembered that the only serious defections during the war had occurred among Russian troops and would hesitate before again exposing Russian troops to Western life. The Soviet Government was more preoccupied with the maintenance of the regime in Russia than with any other problem and was aware of potential dangers at home.

Mr. Bonnet observed that military strength depended basically upon economic strength and paid tribute to the ECA. But he added that the CEEC Report had shown, in spite of the self-help and mutual aid, a

gap which Europe could not fill. The same would be true in the security field. He agreed that there was no evidence that the Soviets intended an overt attack but believed that action must be taken to dispel fear. Much had been already done by the Western Powers themselves: the Brussels Treaty, the creation of the Consultative Council, the London military talks, close economic cooperation between the sixteen Nations, etc. He also emphasized the importance of the American contribution, through for example, the declaration by the President on March 17 and the Vandenberg resolution.

As for the Constitutional aspect underlined by Mr. Lovett, it was clear that no Democratic country could go to war without a declaration by its Parliament. That did not prevent the steady development of plans for long range solidarity which would be made clear everywhere. It should not be forgotten that if the Soviet Union went to war it would be against the U.S. rather than any European country. In consequence plans must be made to meet immediate as well as the long range problems.

In response to Mr. Hickerson's question as to the extent of progress on pooling of resources and particularly the conclusion of any financial arrangements to that end, Sir Oliver Franks expressed the opinion that no yardstick for such arrangements had yet been formulated.

Mr. Van Kleffens inquired whether the U.S. agreed that the five powers were taking the right line and whether in U.S. opinion there were any matters which might usefully be taken up, in relation to these conversations, at the next meeting of the Consultative Council.

Mr. Lovett said the U.S. was handicapped by limited knowledge of the arrangements so far made. Knowledge was also lacking as to the intended relationship of other European countries to such arrangements. For example, three other countries had asked the U.S. for arms, which could be supplied only at the expense of the United States own military effort.

Reviewing the production situation in the U.S., Mr. Lovett said that in 1940 the U.S. had been in a low stage of production with substantial unemployment. American industry was now running at full speed with shortages of both manpower and raw materials. It had reconverted its war economy to civilian production not only for American but for world needs. The largest American shell loading plant was now making fertilizer for Europe as well as for the U.S. and a number of the principal air craft factories were making agricultural machinery for both continents. If they were reconverted to war production, European recovery would suffer. Piecemeal requests could not be met without retarding the U.S. rearmament effort, which was essential to offset the shadow of Soviet power, or by cutting down civilian

supplies, which would both hurt Europe and adversely affect American public opinion.

The U.S. would like to see a carefully screened statement of European requirements, showing the most earnest efforts of the European countries to meet them. Other claimants should be included in the pattern. There would be serious gaps in any North Atlantic security arrangements which did not include Norway, Denmark, Iceland, and Greenland.

Further clarification on these points by the Consultative Council would be most helpful.

Mr. Van Kleffens suggested that the summary of this meeting should make these points clear in order that the Consultative Council and the Military Committee could go into them very carefully. Mr. Lovett reiterated that the present peak of American production left no room for production of arms for Europe except at the expense of ERP or American military or civilian production.

Sir Oliver Franks said that a picture was forming in his mind as a result of the discussion so far. He saw three chapters, not necessarily in the order stated. The first was the development of the case for concerted action in the North Atlantic Area together with an assessment of the contribution made by the countries on the Atlantic Eastern Seaboard. The second comprised consideration of the possible form which a collective association or pact for the security of the Atlantic collectivity might take. The third would be consideration of what flowed from the arrangement including a possible scheme for an integrated and equitable flow of arms and way of fitting in other countries.

Mr. Lovett indicated substantial agreement. He had not yet tried to crystallize his approach since it was important that we all agree on the background. Sir Oliver's first chapter was of great importance to the U.S., his second had not yet been adequately considered.

Mr. Pearson saw difficulties if North Atlantic defense arrangements were tied too closely to Soviet intentions. This might mean that if the danger were removed, or appeared to be removed, this justification for a collective system would disappear. Such a system was justifiable on broader grounds and should have a positive, not merely a negative, purpose. Mr. Lovett observed that the United Nations framework provided a long range point of view without stressing Soviet intentions. M. Bonnet said that regional arrangements would strengthen the United Nations. Mr. Kennan emphasized that the community of interest of the participating governments was wider than military, it was traditional and historical and would continue. Association was necessary entirely aside from the troubles of the moment and might well go

far beyond the military sphere. Mr. Lovett observed that the essential element was not the Soviet threat but the common Western approach and that the Western attachment to the worth of the individual would be the best cement. Mr. Van Kleffens saw advantages in presenting the matter in that light. If the arrangements appeared to be directed against Russia, public perspective would be unnecessarily unpleasant. It would have better perspective and a more serene tone if based on the wider considerations.

Baron Silvercruys cited the preambles of the Rio and Brussels Treaties as exemplifying the long-range approach which would naturally guide the present conversations. This approach in which the sister nations were engaged aimed at the consolidation of peace. It was not directed against any specific threat. It was inspired by the resolve to seek in the spirit of the Charter some sort of arrangement that would substantially contribute to the maintenance of peace. Any effort of this sort would fall short of its purpose and lose its dynamic value if it were to assume a negative aspect instead of a positive one, namely the promotion of security and peace.

757D.00/7-748 : Telegram

The Ambassador in Norway (Bay) to the Secretary of State

SECRET

OSLO, July 7, 1948—8 p. m.

459. During meeting Foreign Office July 3 to sign ERP agreement Foreign Minister Lange requested me call today for more detailed explanation Norway's position with respect organization Nordic group within provisions Article 51 UN Charter.

During visit of hour and 20 minutes Lange detailed Norway's position particularly vis-à-vis Sweden's neutrality attitude which summarized as follows:

1. Both at Copenhagen June 5 and at Stockholm June 16 Lange discussed Nordic pact at length with Danes and Swedes but reached no definite conclusion. Root of problem was Sweden's insistence upon neutrality policy as pre-condition to organization Scandinavian Defense Pact.

2. During Copenhagen meeting Danish Defense Minister told Swedish Prime Minister if stalemate continues due Sweden's insistence upon neutrality pre-condition Denmark might join with Norway in application for admission to western group leaving Sweden pursue her policy alone. Replying my question Lange would be opposed to such action now preferring to nurse situation hoping gain Sweden's acquiescence in formation Nordic group without neutrality pre-condition.

3. Lange summarized Undén's neutrality reasoning as follows:

A. Sweden would rely on strengthening her own military defenses thus giving some measure of protection even as neutral.

B. In giving satisfaction to Soviet neighbor Sweden might avoid any attack in event general European war.

C. Naive though it sounds Sweden would through avoiding calls for aid and matériel from western powers indirectly enable them concentrate their strength among remaining western states.

D. US, UK are presently unable under any circumstances offer aid.

E. Neutrality likely be more respected if all Scandinavian states adopted common neutrality policy.

F. If Scandinavian group followed neutrality line and emergency arose US and UK would nevertheless rush all possible aid in event of attack or violation Scandinavian neutrality by Soviets. I suggested that at proper opportunity Lange might suggest to Undén desirability of obtaining confirmation of such US and British attitude before placing too complete reliance on this expectation.

Lange believes some logic in points A B D but disagrees with C E F.

4. Lange believes inclusion Sweden in Nordic group essential to Norway because of long common border undefended and incapable of defense by either Sweden, Norway in emergency. Therefore countries with small population weak defenses necessarily bound together.

Lange also considers it politically inexpedient apply pressure on Sweden now. Important section of Norwegian Labor Party as well as Norwegian population believes every possible means should be adopted before admitting failure to persuade Sweden to join with Norway.

With above in mind Lange has developed following tentative program for action which he has already proposed to Undén and Erlander¹ who he believes will approve and cooperate:

Norway, Sweden, Denmark to inaugurate about October 1st series of meetings of representatives with emphasis on military defense group those countries to explore program of defense collaboration and adopt complete detailed program to be followed including availabilities of matériel and weapons required under coordination program.

Meanwhile the haunting principle of neutrality which has kept the governments apart so far in such efforts to be shelved without any commitments by any of the three governments.

Lange emphasized to me that definite termination date for such meetings must be agreed upon should be approximately end January 1949 thus giving 3 or 4 months for completed discussions exploration of possibilities. Lange emphasized necessity such definite termination date to avoid possibility of carrying over needless discussions into indefinite future with possibly inconclusive results.

¹ Tage Erlander, Swedish Prime Minister.

Lange believes these discussions would show error conclusively demonstrate Nordic defense group must in own interest be linked primarily to US, secondarily to UK and would generally point way to affiliation with western powers. Further weakness and faults in neutrality theme recognized by Norway but not by Sweden would be glaringly exposed and result in complete discard Swedes neutrality hopes.

I asked Lange what his position would be if meetings failed. He replied he would then recommend to his government and Norwegian people that Sweden be left to herself and would recommend declaration of Norway's affiliation with west through whatever channel might be open at that time.

He reasoned further that after such efforts government's obligation to diehard party members and Norwegian people will have been fulfilled and that all sections of people will accept inevitable conclusion that Norway must go along without Sweden.

I asked whether his proposal contemplated any advantage in ascertaining results of Swedish September elections. He answered in negative indicated that probably Swedish foreign policy would not be affected by presently anticipated election results. Lange believes election will result in slight decrease Social Democrat strength with corresponding increase in Liberal and Farmers Parties; as Farmers traditionally exponents of neutrality Undén's present neutrality policy would not be weakened.

Without proposing question to me Lange indicated his belief that Norway does not and in light of all circumstances could not expect aid from US quickly enough and in strength enough to save Norway from aggression from Soviet Union notwithstanding Norway would undoubtedly on its own be able carry on delaying action similar to defense at beginning last war and for perhaps month or two.

I asked Lange whether he had noted any deterioration Norwegian, Swedish relations as result of defense and neutrality controversies. He said some unimportant manifestations of surface irritation during May had subsided. He feels basic relations remain sound friendly and must be so maintained. Asked about Sweden's insistence on payment in dollars for steel purchased for construction of Norwegian vessels in Swedish shipyards he indicated that could well be a part of numerous evidences of the above mentioned attitude of Swedish firmness during recent months especially in economic field.

On subject of Western Union Lange expressed his understanding that Belgium, Netherlands feel reluctant have Nordic nations invited into group for reason that Nordic states could add little to strength of defense but on contrary would tend to detract strength through

their own need for aid which must be forthcoming from western powers which would otherwise be devoting more aid to present limited membership.

In general, Lange believes time will favor Norway's desire to: (1) Hold exploratory talks with Sweden and blueprint Nordic Defense Pact. (2) Condition Norwegian neutrality for break with Sweden through independent action on Norway's part in joining with west in event of failure at termination of exploratory talks. (3) Note results of conversations between US and Western Union members pursuant to provisions of Vandenberg Resolution. Obtain clearer view of ability and willingness of western powers to furnish aid in event, emergency.

Sent Department 459, pouched to London, Stockholm and Copenhagen.

BAR

840.20/7-748

Minutes of the Fourth Meeting of the Washington Exploratory Talks on Security, July 8, 1948, 10 a. m.

TOP SECRET

Item (3) *Security Relations with Other Western European Countries.*

MR. LOVETT, in opening the meeting, recalled Mr. Bevin's words that no western security system would be complete unless Spain and Germany played their proper roles. The U.S. was not a party to the Five-Power Treaty but would like to know at this time how far the thinking of the Brussels nations had gone in the direction of a general regional security arrangement. The U.S. Government regarded the Brussels Treaty as the affair of the signatories thereto but would appreciate some friendly advice and information from them at this stage.

MR. PEARSON said that there was no question of extending the Brussels Treaty to include Western Hemisphere countries; what he envisaged was the possible formation of a new arrangement covering the North Atlantic community.

MR. LOVETT suggested that any such new association would have the same purpose.

MR. VAN KLEFFENS said that nothing in the relations between the parties to the Brussels Pact and other European countries implied any disparagement toward the latter. The Pact was not intended to be a closed shop. It recognized the need and desirability for early association of other countries, which up to now had been unable to join for one reason or another. The Netherlands Government nevertheless,

thought it might be wise to permit the Brussels group of nations to crystallize and strengthen their new ties before admitting other states. On the other hand, he believed that it would be desirable to compare notes on other countries, inasmuch as the Brussels group was not a closed shop.

MR. LOVETT stated that it would be valuable for the U.S. Government to know what security arrangements had been developed in connection with Western Union and what the nations of the latter contemplated in the formation of collective security relationships with other nations.

SIR OLIVER FRANKS said that it was his impression that very little if any discussion had taken place among the Brussels group on the question of admitting additional members. No doubt each nation had in mind what would be desirable in this direction, but he knew of no discussions along these lines as a group. As the United Kingdom saw this problem, there were two planes: there were certain countries with a vital interest in, and of vital interest to, the security of the North Atlantic area; this was the bigger plane. The other plane was European: there were countries which might be associated with the Brussels Pact, for instance Norway, Sweden, Denmark, Iceland, and Italy. This was not an exclusive list but the readiness of the Brussels Powers to enlarge and of the others to join was conditioned by the attitude of the U.S. and Canada toward the subject matter of Item (4) of the agenda. In this respect, Items (3) and (4) could not be separated. He added that in the long-term view the position of certain other countries, such as Eire, Spain, and Portugal, and their relation to any security arrangements, would have to be considered.

MR. LOVETT said that the Brussels Pact had been set up without association with the Western Hemisphere Powers. Was it considered that such an association, if formed, would have a bearing on the extension of the Pact?

SIR OLIVER FRANKS, referring to the community of interest between the Atlantic countries, expressed considerable doubt about the readiness of others to join the Brussels Pact without the simultaneous conclusion of some arrangement for the North Atlantic area.

MR. LOVETT observed that regional security arrangements should be based both on reasonable geographic proximity and community of interest.

M. BONNET thought that there were two main considerations involved: first, that among the Brussels countries there was a general feeling that there must be closer cooperation among the states of Western Europe; what had been accomplished in the economic field

was evidence of this. Secondly, there was the question whether the admission of other countries would be a liability or an asset. He believed that some countries would be liabilities and that it would not be prudent at this time to extend the field of military responsibility of the Western European Powers. If the Brussels Pact were to be enlarged a problem would immediately arise as to what geographic lines should be drawn. The inclusion of Italy, for instance, would raise the question of the whole Mediterranean. He suggested that, for the time being, the Brussels Powers should limit themselves to dealing with the security problem of Western Europe by trying to reinforce the Brussels Pact through an association with the United States and Canada.

MR. LOVETT observed that, without trespassing on Item (4), the relationship of other Western European countries to the Brussels Treaty should be considered. Greenland and Iceland were more important than some nations in Western Europe to the security of the United States and Canada. The bridge across the Atlantic could be a collective defense arrangement making all the North Atlantic countries a unit. As far as the U.S. was concerned, and also presumably Canada, the ultimate criterion was whether or not its national security was affected by such an arrangement. He asked Mr. Kennan to discuss Scandinavia.

MR. KENNAN stated that the United States had doubted the advisability of pressing certain countries close to the Soviet Union into making military engagements when their neutrality might in certain circumstances be more desirable. He gave Sweden as an example. He inquired about the possibility of gradations in membership of the Brussels Pact, pointing out that Portugal's relationship to England had long had this qualified character, obligating her to assist England in war only if her own neutrality militated against her ally. He added that, as a prerequisite to U.S. association with security arrangements under the terms of the Vandenberg Resolution, the U.S. Government would have to satisfy itself that countries such as Sweden had been adequately considered in connection with such arrangements.

MR. LOVETT observed that the Vandenberg Resolution should not be over-emphasized, except as representing the absolute maximum to which the United States might go. It carried no assurance that the U.S. would go that far. It was an act of one element of the U.S. Government and did not provide enabling legislation or appropriations. There must be flexibility of approach; the final result might differ markedly from the concept contained in the Vandenberg Resolution.

BARON SILVERCRUYS wished to stress that the Brussels Treaty was an inclusive, not an exclusive, agreement, in spirit as well as in fact.

as shown by the text of Article IX.¹ The Treaty aimed at bringing together, immediately, adjacent nations irrevocably tied together for historical as well as geographical reasons and whose security was interdependent. The signatories of the Pact felt that, at this stage, they had taken the first necessary step in consolidating security in their part of the world. They were doubtful whether profitable results would be attained by enlarging this enterprise forthwith. Developments would be more likely to take place if indications were obtained regarding the nature of United States association with European security arrangements. It seemed to him that the key to Item (3) of the agenda was Item (4) and he suggested therefore that discussion of Item (3) be resumed when Item (4) came under consideration.

MR. VAN KLEFFENS said that the Brussels Pact did not keep any door closed to any Western European countries; it was a fact, however, that no other Western European country had knocked on that door. In this respect Mr. Van Kleffens believed that it was important to consider the point of view of prospective adherents to the Brussels Pact, suggesting that they might hesitate to adhere to that Pact, but might be willing to join some other security system of a wider adherence.

MR. LOVETT stated that whether additional members joined the Brussels Pact was entirely a question for the original signatories to decide. What the United States had to consider, before again going before Congress, was whether the unit with which it was dealing was exerting the absolute maximum of self-help and mutual aid, and what considerations of U.S. national security were involved. He wished to make it clear that the U.S. was not making any proposals. It was anxious to get full understanding of what Western Europe had in mind in order that it could estimate the degree of self-help and mutual aid.

M. BONNET observed that in attempting to establish security in the Western European area the five nations had taken certain definite risks and suggested that these risks should not be unwisely increased by admitting certain nations close to the Soviet Union. The Western European countries, which did not feel very strong, should not be asked to develop a system increasing their risks without being assured of American support. Would it be wise, for example, to enlarge the system in such a way that could, however wrongly, be considered by Russia as encirclement? He suggested rather that it would be well to strengthen the present consolidation of nations in the case of peace and not enlarge membership too rapidly.

¹ For text of Brussels Treaty, see *American Foreign Policy, 1950-1955, Basic Documents*, vol. I, pp. 968-971, or Department of State *Bulletin*, May 9, 1948, p. 600.

SIR OLIVER FRANKS said that in looking at a map of the area in which all seven countries represented at these talks were interested, there were certain obvious gaps, e.g., Greenland, Iceland, Norway, and Denmark. Any arrangement appealing as much to the U.S. and Canada as to the countries on the Atlantic's eastern seaboard would have to take account of these gaps. He believed that the difficulty was that the Western Hemisphere nations desired to know, before they could make their decision, what the nations on the Eastern side of the North Atlantic planned to do so far as security arrangements were concerned, but that the decisions of the latter states were equally dependent upon what action the United States and Canada intended to take.

MR. LOVETT stated that the present discussions would be justified if they brought out what was necessary and possible on the Eastern side of the Atlantic and what was requisite and desirable for the Western Hemisphere nations; any recommendation to the Congress would have to take account of both elements. He cited the problem of a hypothetical nation in Western Europe, "Neuralgia", which was prepared resolutely to defend itself if it could obtain appropriate assistance. If it saw the U.S. associated with some European group to which it was not a party it might see only two alternatives, either to yield to Soviet pressure, or to appeal piecemeal to the U.S. for military assistance. Before ERP every country had brought in its own uncoordinated list of requirements. The only yardstick had been what the U.S. could afford. The result had been relief rather than recovery. Ultimate recommendations to Congress would have to take account of these points. The Brussels Pact was a bold, encouraging step, but the necessity for bold treatment of the problem was not terminated by it and other steps would have to be taken.

MR. VAN KLEFFENS believed that, although there was a certain parallel between the the basic formula of O.E.E.C. and that of the political problems now confronting Western Europe, there was also a difference, inasmuch as it had proved to be relatively easy to get 16 European countries around the E.R.P. table, but not around the table of the Brussels Pact. He was certain that it was easier for Sweden, for example, to join O.E.E.C. than the Brussels Pact. Mr. Van Kleffens believed that the problem, at least in part, was to find a political formula which was sufficiently attractive to induce other Western European countries to join in an European security arrangement either along the lines of the Brussels Pact or on some other basis.

MR. LOVETT said that unless the Western European nations showed a high order of determination to solve their problems through some form of union based on self-help and mutual aid, the enterprise would

not possess the degree of assurance for the future which the U.S. expected. He reiterated that the U.S. could not "rebuild a fire-trap", that wars in this area had twice involved it, and that now the people of the United States desired to avoid mistakes of the past and make a constructive contribution to world security. He added that the differences of opinion expressed here were merely an index to the difficulties of the problem and did not at all make the task impossible.

MR. VAN KLEFFENS appreciated Mr. Lovett's explanation, but wished to point out that the Brussels Pact was concerned [*conceived?*], not without some courage, as a new approach for Western Europe. Of course, this was not the only possible solution of the problem.

MR. KENNAN stated that one reason he had raised the question of gradations in membership was that as a practical matter the U.S. Government had to decide from time to time on certain shipments to such nations as Sweden, for example, and that instead of making independent judgments in each instance it would be preferable for the answer to depend upon the relation of Sweden to the Brussels Pact.

MR. PEARSON said that it should not be forgotten that people living in a "fire-trap" were the first to suffer in the event of trouble. Europeans were therefore more conscious than anyone of the dangers ahead. Canada was more interested in the relationship of "Neuralgia", for instance, to a wider North Atlantic arrangement than in its relationship to the Brussels Pact. Nevertheless, Canada would wish to know what concrete responsibilities the Western European nations were willing to take, what determination actually motivated them and what evidence they could furnish as to this determination.

MR. LOVETT stated that U.S. and Canada were concerned not only with the Brussels Treaty countries, but with "Neuralgia" and other countries and where they fitted in. He agreed with Baron Silvercruchs that the discussion could return to Item (3) after Item (4) had been considered.

M. BONNET reiterated that the Brussels Powers should not be asked to undertake by themselves the formation of a stronger system before knowing the plans of the U.S.

MR. LOVETT replied that the U.S. was not asking the Brussels Treaty nations, or any of the Western European nations, to do anything. It was merely exploring what could be done. The result might be three groups of nations: A (the parties to the Brussels Treaty), B (the U.S. and Canada), and C (others). We were talking to the Brussels countries as a group in being. The result should not be such as artificially to limit U.S. association with others.

MR. BOHLEN inquired whether the Brussels Pact was not perhaps only the first step in setting up security relations among the nations

concerned, and whether all security possibilities had been fully explored. This was a question which the U.S. Senate would certainly raise.

MR. WRONG agreed with Mr. Van Kleffens that it would be useful to discuss the individual positions of European countries outside the Brussels Pact so far as their possible adherence in the future was concerned.

MR. LOVETT stated that his government was interested in the positions of these other countries, pointing out, for example, that the importance of Greenland and Iceland to the Western Hemisphere was indicated in the Rio Treaty. Scandinavia flanked the Brussels Powers. The question of Germany would be difficult to appraise. In considering Portugal's relationship, the Azores were of great importance. He added that it was important to agree upon some approach to this problem, which would be based both upon geographic regional factors and upon the character or status of membership.

SIR OLIVER FRANKS suggested that the hesitation of some countries might be resolved by stating explicitly on which articles of the United Nations Charter the security association would be based.

MR. LOVETT said that it was understood that these discussions were proceeding within the terms of the United Nations Charter and that it was, in effect, the license for them.

840.20/7-748

*Minutes of the Fifth Meeting of the Washington Exploratory Talks
on Security, July 9, 1948, 10 a. m.*

TOP SECRET

*Item (4) Nature of U.S. Association under Vandenberg Resolution
with European Security Arrangements*

MR. LOVETT inquired as to the views of those present on this item.

DR. VAN KLEFFENS thought the inter-relation of items (3) and (4) had been made clear at the previous meeting. He asked whether Mr. Lovett himself might care to express any views as to whether the U.S. contemplated, under the Vandenberg Resolution, some form of participation in a general western European security scheme. He thought certain ideas might emerge which would afford a basis both for meeting the needs of the western European nations, not only the Brussels Powers, but of others as well in order to leave the fewest possible gaps, and for the possible participation of the United States and Canada. It would be helpful if Mr. Lovett could give some indication of what would be acceptable. The ECA could be called enlightened

self-interest for the United States but was, at the same time, very much in the interest of the countries in Europe. Similarly, it could not be a matter of indifference to the United States, what happened to Norway, with its long coast line, or what happened to Britain. Conversely, with the advent of new weapons and new techniques the single-handed defense of Western Europe by Western Europeans alone would be extremely difficult. That was particularly true for countries like the Netherlands, Belgium and Luxembourg, but also true for the whole area.

MR. LOVETT did not feel that he could do more than reiterate what had previously been said about the basic criteria which must be applied to any proposals submitted by the Brussels Pact countries. These might be considered as constituting a combination of do's and don'ts, or withs and withouts. The overriding question of national security and the yardsticks commonly and currently applied in E.C.A. were amply clear. Discussion of Item (4) involved the question of what form of association would most fully meet, from the U.S. point of view, its basic and essential requirements. He thought that the need, at the moment, was for some fairly precise indication of the type of organization with which the U.S. might be dealing in the future. For example, did the Brussels Pact constitute the central point from which expansion might take place, or would the purpose and security of all be better served by some alternative method of approach through an enlarged or separate form of community or collective security. This could usefully be explored because it was not now possible to say what system might best contain the elements on which the U.S. would have to place greatest emphasis. He could specify those elements but could not state that a given program, whatever it might be, would necessarily meet them. That could come only at the very end.

DR. VAN KLEFFENS expressed the personal hope that the ultimate outcome would be some North Atlantic Pact, not necessarily in too narrow a sense as he would not want to exclude Italy, for instance. That would mean full membership not only for the countries on the eastern fringe of the ocean, but for those on the western fringe as well. In so far as the Vandenberg Resolution was concerned, he did not think the Brussels Pact, as such, a suitable basis. He could not conceive of the United States adhering to the Brussels Pact. If this were so it was necessary to find a formula which would be agreeable to all and which would take into consideration other nations such as those of Scandinavia, Ireland, and Portugal, none of which had yet knocked on the door of the Brussels Pact. They were not in it and it was not known whether they had basic objections or whether ways and means might be found to associate them with it. He believed that

Norway, for instance, was increasingly desirous of joining. He did not think the Brussels Pact should be abolished; something else might be devised which would appeal to a greater group and be more widely acceptable. Perhaps comparison could be made with a peach, the Brussels Pact would be the hard kernel in the center and a North Atlantic Pact the somewhat less hard mass around it.

MR. LOVETT said this was exactly the type of thing which needed discussing this morning in order to produce as many ideas as possible.

M. BONNET said that he, too, would like to hear what kind of association was contemplated under the Vandenberg Resolution. In discussing the kind of association contemplated, the question of security must be the first preoccupation. It was with this view that the Brussels Pact was negotiated within the framework of the U.N. Charter. He proposed that a study be made of the different points involved, such as the kind of association between the North Atlantic countries, the delimitation of the area concerned, the kind of undertakings that could be assumed with respect to attack, and the drafting of a pre-established plan of assistance to be applied in case of emergency. Should the powers outline such a pre-established plan or create machinery for consultation with a view to implementing the obligations of the pact? Cooperation in the economic and other fields could be added on the agenda of the working parties. By discussing these points together, countries on both sides of the Atlantic could determine their common attitude and what they were prepared to do. In the first place would come the undertakings necessary in the case of attack or danger of attack against the members of such a pact.

He did not think a general discussion would be productive, and suggested taking up the engagements which might be undertaken, within the framework of the UN, against the danger of attack upon the members of such a pact. It should be understood that such engagements would have the aim of preventing war and maintaining peace.

MR. LOVETT said the meeting was dealing with a subject of which military security was one aspect, yet adequate knowledge of the military picture with respect to the points discussed at previous meetings was lacking. He thought it would be unprofitable at this time to try to be too precise as to details; that could be taken up later by the working parties. What he had hoped might be possible at this meeting would be to indicate that a certain form of association might be possible, whereas a different form might be quite impossible from the point of view of the western hemisphere countries. Dr. Van Kleffens had referred earlier to the possibility that a mere association with the present signatories of the Brussels Pact might not meet the tests which would be applied to it by Canada and the United States. He personally

thought this completely correct. United States National security would most certainly not be adequately served by an arrangement providing for U.S. association with the Brussels Pact signatories alone. He assumed the Canadian position would be similar.

MR. PEARSON agreed that it would be.

MR. LOVETT said that as the various successive steps were considered it would be useful to keep this in mind.

M. BONNET agreed. He was not referring only to the outlines of a possible pact of mutual assistance. Mutual aid should not be limited to the European nations; there should be aid between the nations of the Western Hemisphere and Europe. What could Canada and the United States do for them? He would not know what they could do unless the complete points he had mentioned were discussed. Only thus could it be known exactly what Canada and the U.S. could do. It was of vital interest.

The Five Powers had already tried to do what they could from the point of view of mutual aid. They were giving something to collective security in that field, something important as a whole. They were taking big risks. He personally hoped that there was no threat of war. At the last meeting everyone had said that there was no direct threat of war, but it was not possible to be sure. He agreed that there was no threat of that kind but felt that all must do what they could to establish a firm and durable peace. The Five were giving something, were risking the lives of their nations. When would the discussions get down to concrete points, not only in the military field, but as to the form of association which might be formed?

MR. LOVETT thought the discussion was approaching the points he had been trying to draw out. He asked in turn what form of agreement or political association and what kind of undertakings M. Bonnet had in mind.

M. BONNET did not think it feasible at this meeting to outline any pact of this kind in detail, but said it should be some kind of treaty or agreement which should go through the usual parliamentary processes in each country. It should be a regional agreement within the framework of the United Nations by which the various nations would agree to cooperate for economic reasons, common interests, and the desire of promoting peace. It would be a regular type of pact or association for mutual assistance and for the maintenance of peace. If there were any other propositions for different types of associations or agreements, he would be glad to discuss them.

MR. LOVETT said he had endeavored to ascertain what form of obligation M. Bonnet envisaged but that was perhaps a matter of detail which could be left to the working committees. In his own view

the obligation must be positive, in favor of something and not merely against something. It must be within the general terms of a preamble like that of the Rio Treaty or the Vandenberg Resolution itself. He would appreciate a more specific indication as to what form of obligation M. Bonnet had in mind. An obligation to do what?

M. BONNET believed pacts of this nature usually provided that the contracting parties would regard an armed attack against any of them as an attack against all of them.

MR. LOVETT said that this approached the military field.

M. BONNET demurred. The military discussions were taking place in London. The five governments were sending an official invitation to the U.S. to take part in that work. This work would constitute a different enterprise from that now under discussion concerning the possible association of the United States and Canada with the defense of the Brussels Powers. The former could conceivably proceed without any decision as to the latter. General pacts such as Rio and Brussels were long range measures dealing with the promotion and the maintenance of peace. Both of these pacts contained, in addition to others, provisions for mutual aid in the event of attack.

MR. LOVETT asked how the U.S. could deal with the maintenance of peace and the prevention of war with a group whose capabilities were unknown. He had no idea of the military potential of the Brussels Pact signatories.

M. BONNET thought that might mean a delay of months. He agreed that the U.S. and the Five must all ascertain their military potential. But what should be discussed in the meantime?

MR. LOVETT asked whether M. Bonnet regarded as an element of the political field some engagement by the Western Hemisphere countries to look upon an active [*act of*] aggression against the members of the Brussels Pact as an active [*act of*] aggression against the Western Hemisphere.

M. BONNET said that he would regard it as an aggression against the members of the new association.

MR. LOVETT emphasized that under the United States constitutional system there could be no event such as aggression against a member of an association which could automatically bring the United States into war. United States constitutional processes would have to be followed first and, therefore, the engagement would, if undertaken, involve a decision by Congress prior to any action by the United States.

It was not possible at this stage to prejudge the form which any collective security arrangement might ultimately take. It might be useful to consider what elements would make a new association

most useful to the Brussels Pact group as well as to the Western Hemisphere.

SIR OLIVER FRANKS said that the signature of the Brussels Pact, which had been a bold act and a contribution to the security not only of the five signatories but also of other countries, had been an earnest of the determination of the powers concerned to strengthen their powers of resistance. A second fact which had to be kept in mind in these discussions was the evidence which existed of a strong mutuality of interest amongst the countries of the north Atlantic area. The entry of a new power into this area would be of concern to all the countries there. An explicit recognition of the mutuality of interest of these countries would be a factor making for stability. Such recognition would not result merely from an increase in the membership of the Brussels Pact. He was thinking in terms of a new pact to deal with the problems of the whole area. While he could not be specific, there would undoubtedly be some relationship between the members of this new pact and the members of the Brussels Pact. While an increase in the membership of the Brussels Pact might be possible and desirable, it was doubtful whether it would be possible to admit to the Brussels Pact all the countries on the eastern side of the Atlantic which were of interest to, as well as interested in, the north Atlantic area. As Mr. Lovett had expressed it the day before there were in fact three groups of countries: Firstly, those which were members of the Brussels Pact (these might be more than the present five); secondly, the western hemisphere, and thirdly, a group consisting of certain other countries on the eastern side of the Atlantic.

The talks would involve discussion of a new pact corresponding to the positive interests of the countries bordering upon the north Atlantic area. He had an open mind about the relationship of such a pact to the Brussels Pact. While attention should be paid to extending the Brussels Pact where this was both possible and desirable, the pact was still young and it was of importance to crystallise what had already been accomplished before trying to stretch it too quickly.

He understood the desire which Mr. Lovett had expressed to receive proposals on this subject from the countries on the eastern side of the Atlantic. He saw a whole range of questions, particularly on the military side, in which this would be necessary. But he wished to make a complementary suggestion, namely, that in considering such questions as the terms of a new pact, its relationship to the Brussels Pact, and the extension of the Brussels Pact,—all matters of common interest to both sides of the Atlantic—it would be of the greatest help if the exploratory work could be undertaken jointly by those on both sides of the Atlantic.

MR. LOVETT said that the Brussels Pact, in his opinion, fell short of what was needed to meet the tests which Sir Oliver and he wished to apply. The direction of these discussions would be greatly clarified if it could be decided whether to approach the problem on the basis of an expansion of the Brussels system or by considering a wholly new arrangement for collective security.

MR. PEARSON said that the Canadian government could not make any contribution to the collective security of the area by any unilateral guarantee of western union security.

MR. LOVETT interjected that the United States Government could not contemplate any such idea.

MR. PEARSON continued by saying that what he had in mind was the creation of a new system. He thought that even if there had been no Brussels Pact the Canadian Government would still be interested in an Atlantic security system. The members of such an Atlantic system would be associating themselves with the security of each and all. As he saw it there were already two groups of states who were willing, in the hope thereby of obtaining greater security, to take on obligations greater than those involved by membership of the United Nations. The Brussels countries were one group; the United States and Canada were the other. There was a third group of states concerned with the Atlantic which, though not members of these other two groups, should somehow be associated with them. Some of these states were of as much importance to the national security of the western hemisphere as were certain countries of the Brussels Pact. There were certain principles concerning the nature of such an association upon which agreement should be sought before an attempt was made to work out details. Firstly, there should be as close a connection as possible with the United Nations, not only under Article 51 of the Charter, but also under Article 56, which concerned cooperation for economic, cultural and spiritual purposes (Mr. Lovett indicated agreement with this point). Mr. Pearson wished any new pact to involve positive cooperation in fields other than purely military. Secondly, while the obligations undertaken by a party to the new arrangement would be conditioned by certain constitutional limitations, that did not prevent the creation of something far reaching.

The Rio Pact stated that an attack on any signatory was to be considered as an attack upon all the signatories. This was the kind of obligation which should eventually be considered in connection with an Atlantic Security Arrangement. Such an obligation did not mean that each party to the pact was obliged automatically to go to war if one of the others was attacked. The obligation called for "assistance" which did not necessarily involve a declaration of war. Moreover, each

country would be able to decide for itself whether an attack, the occasion for "assistance," had occurred.

Some kind of obligation on the lines of the obligation in the Rio Pact should be explored in connection with a North Atlantic system. He assumed that when the details of the Rio Pact were being worked out the United States had not had details of the military assistance forthcoming from every prospective member of the Pact.

Furthermore, aggression in the future might not constitute an armed attack but be indirect. This had been provided for in both the Rio and Brussels Pacts.

The actual machinery for implementing a pact would probably have to be worked out later. But as regards the idea of the pact, the Canadian government were already on record in favour of participation in some form of north Atlantic collective assistance or mutual assistance arrangement. They were also on record as saying that their participation would not be effective unless the United States also participated.

MR. LOVETT said that the Rio Pact served as a take-off point but that, in his opinion, it did not meet the specific requirements now under consideration. The inter-American relationship had a long history. Although the potential military help from the countries involved was, with the exception of three, not very great, they could give considerable "assistance" in the form of raw materials. The countries of the north Atlantic area now under consideration did not, on the other hand, have these resources; in fact they would require rather than give them.

BARON SILVERCRUYS remarked that the United States association envisaged by the Vandenberg Resolution was possible either with a regional arrangement or with some other collective arrangement. He thought that in either case the association of the United States—and the association of Canada—might well be the determining factor in the implementation of the arrangements. Whether the United States elected to be associated with a progressive development of the Brussels Pact or with some other collective arrangement such as an Atlantic Community agreement, he felt sanguine about one point, namely that the association of the United States would be instrumental in inducing other nations to jump on the band-wagon, making it possible to close the security gaps that had been mentioned.

MR. LOVETT thought the expansion of the Brussels Pact might take place simultaneously with the creation of some collective security arrangement. An expansion of the Brussels Pact would not necessarily exclude the need for a North Atlantic Pact. From the American point of view, the fact that the group was primarily "Atlantic" in nature would make a tremendous difference in the commitments which could be undertaken.

MR. WRONG suggested that the position of the Brussels Pact powers on the European continent might be regarded as corresponding to that of the United States and Canada in the western hemisphere. MR. LOVETT said that this was the definite pattern in his mind.

MR. KENNAN said that it was necessary to look forward to changes in Europe in the long run which would permit of a general unification of the whole continent. It was hoped that countries now behind the Iron Curtain would be able eventually to come into the European family. It was necessary that when the Marshall Plan period came to an end, or even earlier, there should emerge an economically self-supporting Europe which was on the road to greater political unity and which was militarily capable of taking care of itself. That could not be just part of Europe; eventually it would have to comprise the whole of the continent. The United States did not wish to see a return to the conditions existing before the war in eastern and central Europe where there were either petty nationalisms or very small military alliances which could not stand the test when the strain came.

It seemed to him important that the door should be left open for everyone in Europe to come in at the proper time so that there could be a real unification of Europe and the development of a European idea. If that did not happen it seemed to him that, whatever might be worked out along the lines of the present discussion must remain impermanent and unsatisfactory from the long-term point of view of the United States.

The discussions should not concentrate solely on the question of a military guarantee against a military danger which would be mitigated, he hoped, in the course of time.

Finally, MR. KENNAN wished to clarify a point concerning previous statements made by Mr. Bohlen and himself about the danger of war in Europe. They had not meant to imply that there was no danger of war nor threat of war. What they had meant was that they did not consider that the Soviet Union had deliberately drawn up a program of aggression. There was a difference between planning aggression as a deliberate step of policy, and aggression as something following upon a situation from which it was impossible to withdraw.

DR. VAN KLEFFENS recalled Mr. Lovett's reference to the fact that the Brussels Pact in one sense did not go far enough inasmuch as it left out certain states whose participation was indispensable from the point of view of both European and North American countries for the security of Western Europe as a whole, and in a broader sense of the North Atlantic community. He asked whether in another sense the Brussels Pact did not go too far to serve as a model for North

Atlantic security arrangements in that its terms in some respects were a little too stringent to find general acceptance.

MR. LOVETT agreed.

DR. VAN KLEFFENS thought it important to underline the two orders of exception being taken to the Brussels Pact.

MR. LOVETT agreed and said that there might be even others.

DR. VAN KLEFFENS then raised a second matter, which to his mind presented a very real difficulty and which the Belgian Ambassador had already touched upon. Insofar as certain states were concerned, some of the Scandinavian states and Iceland, Ireland and perhaps Portugal, it would probably make the difference between participation and non-participation for them to know in advance that they would be adhering to a scheme which there was reason to believe would ultimately have the adherence of the United States and Canada. Possibly this difficulty would ultimately resolve itself by the method of presentation, which might be in the form of some sort of an invitation to all countries of the North Atlantic to join in. Care must be taken not to deter certain nations from joining from the start.

In the third place, certain patterns of thought seemed to have emerged in the United States in the last few years which could serve as a guide as to what would ultimately be the best solution. He referred to the Act of Chapultepec, the Rio Pact, the President's message of March 17, the Vandenberg Resolution, the debates in the Senate, and the Charter, particularly Articles 51 and 56. He thought that the North Atlantic community was too good to be limited merely to material welfare and military security, in that it rested on a community of certain basic conceptions of the highest moral order.

SIR OLIVER FRANKS referred to the particular problem of Ireland. He thought it would be easier for that country to join an arrangement to which countries on the west side of the Atlantic were also parties rather than one which was limited to the United Kingdom and other European countries alone.

MR. HICKERSON said that Dr. Van Kleffens had put his finger on the kernel of thinking on the working level in the State Department in saying that in one sense the Brussels Pact was not broad enough as to membership and in another sense was too broad as to obligation. The economic and cultural clauses of the Pact seemed to the State Department wholly commendable as regards an association in Europe, but rather broader than would be appropriate for an association of countries not tied together by exactly the same factors.

He wished to underline what Mr. Kennan had said earlier. To the extent that the United States properly could do so it wanted to urge closer economic, spiritual and other ties among the free countries of

Western Europe, and ultimately of Europe as a whole. It had been the thinking at the working level here that, if such an association could be worked out, it should proceed simultaneously, with encouragement for the natural members of the Brussels Pact to adhere to it and to the North Atlantic community idea wherever appropriate.

MR. LOVETT thought that the discussion had added a good deal both to the clarity of purpose here as well as perhaps to the means of going about it. It might be profitable to consider again matters under Item 3—the specific countries which would have to be envisaged as possible members of any Atlantic community arrangements. He referred to the problem of forming a regional association which was truly regional in both a geographic and security sense. It seemed clear that Greenland, Iceland, the Scandinavian Peninsula, England, Ireland, the Brussels Pact countries, ultimately Western Germany, perhaps Portugal and eventually Spain would be the group beyond which the North Atlantic community would get out of the North Atlantic and begin to get into a mid-European, Near Eastern or Mediterranean group. An attempt should be made to define so far as possible what was meant by the North Atlantic community.

MR. PEARSON emphasized the difficulty of including, certainly at the beginning, borderline geographical communities which lead from one to another until the original geographic area had no longer any meaning.

MR. WRONG remarked that Switzerland was spiritually and economically a member of the North Atlantic community, and that in spite of its traditional policy of neutrality this was worth mentioning.

MR. HICKERSON said that State Department thinking had taken this into account, and had proceeded on the assumption that Switzerland might not wish to join at the beginning but would be welcome if she did.

MR. PEARSON pointed out the difficulty which arose in connection with Italy in that, once in the Mediterranean, Greece became involved.

DR. VAN KLEFFENS thought that the definition should be kept somewhat flexible to allow for the application at the same time of the geographic test and a test in the realm of general ideas, some basic conception of society and the value of the individual.

MR. LOVETT thought that that would be one general approach, but also that a part of the solution might lie in different degrees of membership. He mentioned Iceland as an example of a country which would have a very definite interest in such an association, but because of her peculiar situation would have to limit her agreement of assistance. He thought that there were all sorts of gradations of interest among the various possible adherents.

DR. VAN KLEFFENS suggested that there might be members and associate members. Greece, for example, might be included in some sort of association, but obviously could not be considered as a real member of the North Atlantic area.

MR. WRONG pointed out that in the Rio Treaty equal formal obligations were accepted by all parties. Difficulties might arise in applying the concept of associate membership in a North Atlantic arrangement, particularly in the case of countries which had successfully maintained their neutrality during the war such as Iceland, Portugal and Ireland. The incentive for such countries to join would be smaller on political grounds because they had lived through two great wars safely without invasion or occupation. Nevertheless, from the strategic point of view participation of these possibly reluctant countries would be very important. If associate membership were contemplated, these countries were among those most likely to press for an association which would not commit them to the same sort of obligations as the full members. Yet the use of their territories would probably be essential in the case of war. Politically, therefore, in cases such as this there was one answer and strategically there was another.

MR. LOVETT agreed that the question was a difficult one. He pointed out that the Rio Pact left assistance to the decision of the assisting country. In the present case the problem was a definite one for Canada and the United States because some of these countries are of immediate concern, not only from the security point of view, but as stepping stones to get to the assistance of partners in Western Europe. It should, however, be noted that both Greenland and Iceland cooperated as if they had been allies by treaty during the last war.

MR. WRONG thought that undoubtedly if war came this would have to be done again. He wished to make one other point in connection with associate membership, unless it was defined carefully it might be found that guarantees of security would be given by some states to others without much obligation on the other's part.

MR. PEARSON noted one factor which would affect the problem of peripheral countries. If a North Atlantic security arrangement were to be worked out, it was possible to contemplate other collective security arrangements for other areas which would have a bearing on the problem of the association of countries within those areas with the North Atlantic arrangement. There might ultimately be a series of arrangements, the common factor in them all being the membership of the United States.

MR. LOVETT said that the United States was not unaware of the problem presented by such a chain reaction. One of the disturbing aspects of the matter was that a series of regional pacts might mean

using the regional pact system as a substitute of the basic conceptions of the United Nations—collective security per se. Another problem was that, if the effectiveness of other regional pacts were to depend upon North American countries at this stage and perhaps for some little time to come, there was a limit of assistance beyond which neither Canada nor the United States could go without spreading the butter so thin that it would not feed anyone. On the other side, these regional arrangements would be tied necessarily to some extent to the vagaries of economic conditions in Canada and the United States.

M. BONNET did not feel that a solution could be reached now on the problems of various kinds of membership. Too many questions were involved, a previous study of which was necessary, particularly strategical as well as constitutional, political, economic and legal considerations. It was not yet possible to give a satisfactory answer to the question of the membership of Ireland, Sweden and still less Greece or even Portugal. The discussion today had been centered on the strategic field, which showed the need of determining the objectives to be sought and what kind of obligations the participating countries would be prepared to accept.

MR. LOVETT inquired as to views on the procedure from here on, and whether it would be agreeable to let working parties produce a schedule which would indicate the tasks ahead so that the meeting could reconvene with a program aimed at reaching conclusions which would permit more precise definition of the ultimate form.

SIR OLIVER FRANKS thought that there was a process of digestion due on this week's discussions as well as the question of getting a reaction from home.

MR. LOVETT said that this had been understood from the beginning; he suggested that working parties could use the intervening time in setting out a schedule of procedure.

This was generally agreed.

BARON SILVERCRUYS said there had been a most useful exchange of views and exploration on some points of the agenda. He had not, however, as yet a very clear picture as to the sort of association which the United States and Canada were prepared to contemplate. Views had been exchanged on the kind of association which might be envisaged, but he was not sure of its nature nor of the role of the two North American countries in it.

MR. LOVETT thought that an effort had been made to find the form of organization and the method of association necessary to bring the United States into some form of collective security enterprise as a member. This might be associations between three separate groups an enlargement of the Brussels Pact or a wholly new North Atlantic arrangement.

MR. ACHILLES inquired whether it was intended to formulate terms of reference for the working parties.

MR. LOVETT thought that should be left to informal exploratory talks in the working parties.

MR. HICKERSON suggested that the working group should go over the present agenda and examine some of the items in much more detail against the background of these discussions.

This was generally agreed and a meeting of the working group will be called by Mr. Hickerson and Mr. Bohlen.

Editorial Note

FIRST MEETING OF THE WORKING GROUP PARTICIPATING IN THE WASHINGTON EXPLORATORY TALKS ON SECURITY, JULY 12, 1948

The brief, unsigned memorandum of the meeting indicates that discussion was largely procedural, centering on ways to assimilate the thinking of the past five meetings of the ambassadorial group and to carry the study forward. Mr. Bohlen, who directed the meeting, suggested that the group develop papers on the three principal criteria mentioned by the ambassadorial group: 1) the general security needs of western civilization, 2) the geographical limits implicit in any regional security arrangement and 3) the differing, individual needs of each of the countries concerned. He agreed that discussion could be directed also to other questions and suggested for possible attention the effects of a North Atlantic pact on eastern European states, the nature of whatever threat menaced the states of the Atlantic community, and the present direction of currents and pressures in Europe. The memorandum of this meeting, not printed, is in the Department of State files, 840.20/7-1248.

The regular participants in the fifteen meetings of this so-called "International Working Group," held between July 12 and September 9, 1948, were the following: for the United States, Kennan, Hickerson, Achilles, Reber and W. J. Galloway of the Division of Western European Affairs; for France, Bérard and Wapler; for the Netherlands, Reuchlin and Vreede; for Great Britain, Hoyer Millar and Henderson; for Canada, Stone and R. L. Rogers, Third Secretary of Embassy; for Luxembourg, Le Gallais; and for Belgium, Roger Taymans, Counselor of Embassy, and Robert Vaes, Attaché. There was also an American working group composed of the above-listed delegation and nine others.

*Editorial Note*SECOND MEETING OF THE WORKING GROUP PARTICIPATING IN THE
WASHINGTON EXPLORATORY TALKS ON SECURITY, JULY 14, 1948

Mr. Reber presented a tentative breakdown of an agenda constructed from the records of the five meetings of the ambassadorial group. The working group, before turning its attention to an examination of this agenda, discussed the current military talks in London, referring in particular to the question of publicity and the "non-member" character of United States participation. The memorandum of this meeting, not printed, is in the Department of State files, 840.20/7-1448.

840.00/7-1448 : Telegram

The United States Special Representative in Europe Under the Foreign Assistance Act of 1948 (Harriman) to the Secretary of State

TOP SECRET US URGENT

PARIS, July 14—8 p. m.

Unnumbered. Eyes only for Marshall and Forrestal. From various contacts since my arrival in Europe I have formed initial judgment upon certain aspects of situation in Western Europe. Perhaps most important is the development of the will to resist internal and external aggression which has developed since the Harvard speech. This relatively new-born determination, however, can well be weakened by events. On the continent war is not talked about publicly as it is in America but it is constantly in people's minds. There is general acceptance that the US will fight if Western Europe is attacked, but the almost universal comment is that "Western Europe will be overrun by the Russians, eventually the US will defeat Russia and liberate Western Europe, but in the meantime most of the better people, and therefore, their civilization will have been destroyed". Appeasement psychology, like isolationism in the US, is not deeply buried.

It appears to me that maintaining and strengthening the will to resist in Europe should be fundamental in our policy through the coming months. This requires not only effective implementation of ERP but active encouragement of the idea that we intend to help rebuild military defense against outside aggression. By this I do not mean immediate commitments on a comprehensive and integrated armament program, but adoption of an attitude towards the Brussels Pact countries which will give them a greater feeling of assurance that we really mean business when we say their security is our security. I feel strongly there is need for tangible evidence of this in the form

of token shipments of equipment in the near future. These might be, for instance, only a limited number of P-49's or P-51's to equip a selected unit of the French Air Force or some ground equipment for army units. The military value of these token shipments is not important, but the effect on public opinion would be inspiring. You will recall the psychological effect of our shipment of one million rifles to Britain in 1940 which, though of negligible military importance, had incalculable morale effect. Economic support aids in meeting the threat of internal aggression, but it is military support which strengthens the will to resist external aggression. I recognize the limitations in our capabilities, both practical and legal, but I am frankly concerned over the possibility of a reversal of the upward trend of determination in Europe unless we give some concrete evidence of support, not in top secret circles but openly to the people. After all in free countries political policies are largely influenced by public opinion. Public knowledge of military discussions would in itself be of value if we are unable to make shipments. I am fearful that if we wait for action by Congress next year there may well be a weakening of determination which it would be difficult to offset.

Confidence arising from the growing strength of Western Union would spread to perimeter countries and as our present capabilities are so limited I would be inclined to concentrate primarily on assistance to Western Union.

HARRIMAN

840.20/7-1548

Memorandum of the Third Meeting of the Working Group Participating in the Washington Exploratory Talks on Security, July 15, 1948

TOP SECRET

MR. STONE suggested that the breakdown of the agenda ¹ which the group had before them should be considered as a guide for deliberations of the working group itself. He stated furthermore that the group probably could not finalize any paper on any of the subjects listed until the question as a whole had been studied.

In reference to the first item, estimates of Soviet intentions, MR. BOHLEN believed that one objective should be to ascertain whether U.S. estimates were parallel to those of the Brussels Pact countries, and the group could then proceed to attempt to arrive at some general agreed conclusions in this field. He emphasized that they were dealing

¹ *Infra.*

with a very speculative subject, that while much concrete information was lacking the Soviet Union must be considered a continuing menace to the Western World, and that the latter should remain in a state of mental preparedness. MR. BOHLEN thought that under this first item the working group should not interest itself in specific intelligence data but rather should direct its attention to the general situation which World War II has brought about in Europe, and attempt to estimate what the Soviet attitude will probably be toward this abnormal situation.

MR. BÉRARD stated that his point of view was very similar to that expressed by Mr. Kennan the previous week in the meeting of the Ambassadors, adding that he was not aware of very much positive information concerning Soviet future intentions.

MR. REUCHLIN believed that what we do here will perhaps have a direct effect upon Soviet actions and that, for example, if the countries concerned in the present talks form a weak association it undoubtedly will have a provocative effect upon the Russians, whereas a strong pact should have the opposite, or a deterrent, effect upon them.

MR. HOYER MILLAR expressed the opinion that the threat from the East was a situation old and familiar to Western Europe, but that now, perhaps for the first time, the United States and its way of life, which was diametrically opposed to that of the Soviet Union, was directly menaced. He believed that today the United States was actually in the front line facing this threat, a situation not true in 1917, or even, for that matter, as late as 1939. This was, in short, a common enterprise; the European countries themselves could not stand up against this Eastern pressure but with the United States a union strong enough to resist it could be formed. MR. HOYER MILLAR added that he believed one of the ultimate intentions of the Russians was domination of the United States, having first obtained control over the European nations lying in its path.

MR. BOHLEN suggested that one approach to the question of Item 1a was to determine whether the threat was primarily military or of some other nature, for if it were concluded that a military threat principally menaced our security our response will be of one kind, whereas if it is primarily economic or political we would react, presumably, in another manner. To illustrate the differing attitudes toward this question, he cited the criticism in some quarters of the ERP as being merely an economic and not a military measure, whereas military preparations—so the argument ran—were what was required. Continuing, MR. BOHLEN said that as an aftermath of the war Europe had been left in a dangerous state of unbalance, with Germany eliminated as a strong national state and with the Soviet dictatorship and the Red Army on

the banks of the Elbe. He had concluded, moreover, that the most dangerous period had been in the immediate postwar years, 1945-1947, when the U.S. military establishment was rapidly disintegrating and the American public had not yet been alerted to the Russian peril; yet it was significant that the Soviet Army did not move during this period. Furthermore, it should be remembered that the Russian Army had not moved beyond the line which we now refer to as the "iron curtain". He believed our goal should be to create a Europe that is viable economically, strong militarily, and unified and politically stable to a degree that Soviet expansion could be opposed or held. MR. BOHLEN warned again that we must be careful not to adopt measures here which would be weakly provocative, and that care should be taken to provide the substance on which can be built in Europe a total sense of confidence. Referring to the recent Yugoslavian development, he thought that this indicated that Russia, as a country, was dangerously over-extended. He suggested that opportunities for expansion and aggrandizement on the part of the Russians should be removed, noting that historically the Kremlin has usually exercised great caution in the risks it has taken to achieve its objectives. MR. BOHLEN interpreted the Soviet's anxieties about the eventual success of the Marshall plan as one indication that they perhaps had no positive, specific plans for military aggression in the near future. During 1948, a certain turn in the tide in favor of the Western European nations could be detected, but these favorable developments were also accompanied by certain risks, since the Soviets might react violently to prevent the loss of power, or influence, over their satellites. The Soviet troops in Germany, while numerous, were not generally regarded as being capable of a sustained move westward through Europe; considerable reinforcement of personnel and strengthening logistically would first be necessary, and presumably we would have some indication of this development if and when it occurred. In this connection, he pointed out that the presence of the British and American troops in the sector should have a reassuring effect upon the people of Europe, since if Soviet troops did move westward the United States and Great Britain would be the first two countries involved in the conflict. MR. BOHLEN asserted, however, that despite what the Russians may or may not do we still must not be deflected from our purpose to do all that is required by the present conditions in Europe, adding that the first benefit which should derive from any measures which we may take here would probably be a psychological one, a certain confidence in the future. MR. BOHLEN agreed with Mr. Hoyer Millar that Russia was not in a good position economically to wage a long war, pointing out that the Soviet leaders were extremely dubious of the attitudes and affections

of their own people, exemplified in their savage pursuit of displaced persons in Europe.

Returning to Item 3 of the breakdown of the agenda, Mr. BOHLEN expressed the opinion that this might be one of the most difficult aspects of the problem, since the U.S. Government, in requesting Senate authorization for any association devised, would have to be able to state that the European countries have done everything possible to achieve a coherent, comprehensive pact or arrangement, and that, for example, if any strategically important country were omitted from the group criticism might be aroused in the Congress. He suggested therefore that it would be especially useful if the opinions of the Brussels countries could be obtained as to what countries outside the Brussels Pact might wish to enter a North Atlantic association or, on the other hand, which countries might impose certain conditions before entering.

Mr. BÉRARD agreed that some countries, such as Italy, would pose a problem if they wished to join such an association. Again, the question of countries outside the United Nations would have to be considered.

Mr. BOHLEN thought that one approach would be to consider the ERP countries, other than the Brussels Pact nations, individually, examining each one in turn to determine what problems would be encountered by association in some North Atlantic pact. This question, it was pointed out, was currently being discussed by the Consultative Commission at The Hague.

[Enclosure]

SUGGESTED BREAKDOWN OF AGENDA

1. The situation in Europe as it affects security.
 - (a) Estimates of Soviet intentions.
 - (b) Nature of the threat.
 - (1) Military threats
 - (2) Indirect aggression
 - (c) Estimate of effect upon Soviet policy of action by participating countries working toward collective security.
2. Security measures taken and to be taken in Europe by the Five.
 - (a) Measures already taken by Brussels Pact countries.
 - (b) Measures contemplated by them.

(This item cannot be fully developed until the United States and Canadian representatives have reported on their talks in London.)

3. Security relations of nations participating in these talks with other Western European countries.

- (a) What countries should be covered in any North Atlantic security arrangement.
- (b) Scope and form of arrangements which can serve the security needs of countries participating here and of others important to North Atlantic security.
- (c) Problem of other countries.

4. Nature of North American association with North Atlantic security arrangements.

- (a) Basic criteria, including relationship to the UN Charter and to other international agreements.
- (b) Desiderata of European countries.
- (c) Desiderata of North American countries.

5. Conclusions.

840.00/7-1548 : Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET US URGENT WASHINGTON, July 16, 1948—2 p. m.

2765. Your 3216 July 15.¹ For the Ambassador. Please advise Jebb this Govt accepts Permanent Commission's invitation and that Natl Mil Establishment is sending representatives, headed by Maj Gen Lyman L. Lemnitzer, to participate, on non-membership basis, in mil conversations now in progress between signatories of Brussels Treaty.

For your info Lemnitzer and party flying tomorrow. Details given CNO tel 17279 July 13 to CINCNELM.

Natl Def and we agree that Lond visit should not be announced in advance but presumably cannot be kept secret. When presence of party becomes known in Lond we have no objection to Brit or Emb confirming their presence.

MARSHALL

¹ Telegram 3216 from London, not printed, conveyed an invitation to despatch military experts to London to participate in the work of the Brussels Treaty Military Committee (840.00/7-1548).

840.20/7-1648

Memorandum by the Director of the Joint Staff (Gruenther) to the Director of the Office of European Affairs (Hickerson)

TOP SECRET

WASHINGTON, July 16, 1948.

With reference to our conversation of 13 July, there are forwarded herewith three copies of the instructions given by the Joint Chiefs of Staff to the U.S. representatives attending the London Western Union talks. It is my understanding that two of the enclosed copies will be

given by the Department of State to the Canadian Ambassador and that the remaining one will be retained for use in the Department.

For your information two copies of the enclosure have been given directly to the British Joint Services Mission.

ALFRED M. GRUENTHER

[Enclosure]

INSTRUCTIONS FOR THE U.S. REPRESENTATIVES ATTENDING THE LONDON
WESTERN UNION TALKS ¹

The Chief of Staff, U.S. Army, will act as executive agent for the Joint Chiefs of Staff in respect to the mission of the representatives.

The political framework for U.S. participation in the London talks is evident in Senate Resolution 239 and the accompanying report of the Senate Foreign Relations Committee, and in agreements respecting Western Germany reached between the United States and the Western Union nations in the recent London conference. Except within this area of established United States policy, or as may be suggested by State Department officials consulted, the representatives will confine their comments to military matters: political problems which may arise will be referred to Washington for resolution. Military negotiations in London should, however, be so conducted as to advance the possibility of eventual close ties, under a United Nations regional security arrangement, between the United States, Canada, and nations outside the "iron curtain" in Europe and its contiguous Atlantic waters.

U.S. participation in the London military talks of the Western Union nations is undertaken "with a view to participating in conversations on military plans" ² and with a view to "drawing up a coordinated military supply plan" on the basis of a European Recovery Program precedent in which, as respects the Western Union Nations, "(1) they must first plan their coordinated defense with the means presently available, (2) they must then determine how their collective military potential can be increased by coordinated production and supply, including standardization of equipment, (3) we would then be prepared to consider and screen their estimates of what supplementary assist-

¹ These instructions, showing no date on the file copy, are roughly similar to those contained in National Security Council paper NSC 9/4, July 20, 1948, "Guidance for U.S. Military Representatives for London Military Talks on the Western Union of Nations," a report to the NSC by the Secretary of Defense, circulated for the information of the Council. (NSC 9/4 not printed: S/S-NSC Files, Lot 63D351.)

² This quotation, and those that follow, are drawn from NSC 9/3, p. 140, and from the Permanent Commission's defense statement transmitted to the Department in telegram 2128, May 14, 1948 from London, p. 123.

ance from us was necessary, (4) we would expect reciprocal assistance from them to the greatest extent practicable, and (5) legislation would be necessary to provide significant amounts of military equipment but the President would not be prepared to recommend it unless the foregoing conditions had been met."

The Commander in Chief, European Command, has been instructed to arrange with the British and French commanders in Germany for the concerting of plans to meet an emergency military situation in Europe. It will be essential that conversations in London respecting emergency military plans be conducted in the light of those already held or in progress, and with the knowledge, advice, and assistance of the principal responsible U.S. military commanders in the area.

In drawing up a coordinated military supply plan, it may prove advisable to consider supply problems arising out of emergency military plans. At the discretion of the representatives, this aspect may be explored, emphasizing the paucity of currently available supplies, keeping in mind that the principal aspects of the supply plan are obviously a longer-term problem.

The adequate development of a coordinated supply plan will have to be predicated on ultimate intentions as well as ultimate capabilities, and on the development of a practicable longer-term strategic concept. The short-term problem might well be more effectively solved against the background of, and as a contribution toward achieving, the common long-term intent.

For the time being, discussion should not be initiated which has to do with phases of U.S. planning for an emergency concerning guerrilla activity in areas which come under enemy occupation, the support of underground resistance movements, or U.S. action outside Europe and its contiguous areas.

Information from London indicates that the five powers of the Western Union propose a pooling of their equipment and resources under a combined command, that they hope to achieve a maximum standardization of equipment (including standardization with U.S. equipment) and military organization, that they are inventorying their total current military resources and total military potential, and that they are determined to fight in the event of an attack by the USSR. Their comments, as transmitted to the Department of State, are especially significant in two respects.

a. The current Western Union strategic concept is to fight "as far east in Germany as possible" with a view to "holding the Russians on the best position in Germany covering the territory of the five powers in such a way that sufficient time for the American military power to intervene decisively can be assured. The five powers are now assessing

their resources and fully recognize that an attack in the near future would find them militarily weak. They also recognize that their plans must be very closely linked to the American strategic concept and the deployment of such forces as they are prepared to provide for the defense of Western Europe from the outset." In this connection, the Western Union powers should be brought to realize in due course that American forces for the defense of Europe would initially consist significantly only of those already in Europe. However, those U.S. Forces employed in long-range warfare would contribute substantially to the defense of Western Europe, even though deployed in other areas.

b. "The extent to which plans for long-term standardization can be advanced at present depends upon American intentions, since it is obvious that standardization with the USA is equally desirable at an early date. However, the acceptance of the principle of standardization must not be allowed to interfere with our immediate preparations of rearmament." In this connection, standardization with the U.S. on the basis of U.S. equipment will obviously result, on an emergency basis and to a limited extent, with any provision of U.S. equipment to meet the short-term problem of revitalizing the military power of the Western Union nations. The extent of long-term standardization with the U.S. on the basis of U.S. equipment, a type of standardization which appears advisable, should be governed by the estimated future capabilities of the Western Union nations with respect to maintaining and replacing such equipment from their own combined productive capacity. Standardization of items of U.S. equipment on the basis of procurement from Western Union nations should not proceed to the point at which the U.S. is, or is likely to become, largely dependent upon such sources for important items of equipment or elements thereof. (A somewhat closer standardization relationship may be expected to develop between the United States, Britain and Canada than with the continental powers.)

The area of discussions dealing with standardization should also include and emphasize the desirability of standardizing communication procedures, operating techniques, and military administrative, logistical, and tactical organizations.

The representatives will avoid discussing with any of the foreign conferees the policy or plans of the United States with respect to the employment of atomic weapons in warfare.

It is obvious that security restrictions will handicap the United States representatives in the effective execution of their missions; they should accordingly feel free to request authority to depart from these restrictions in specific important cases.

The Joint Chiefs of Staff consider that no U.S. strategic concept need be, or should be, disclosed, but rather the position taken that the United States, while having under consideration various alternative lines of action in the event of a Soviet war of aggression, has

fixed on no rigid course and would welcome suggestions looking toward the evolution of a strategic concept, or of strategic concepts in phases, on the basis of which common action might be undertaken.

Consideration of the probable United States part as an ally in a future war should include recognition of inevitable world-wide responsibilities we would be required to undertake in respect to:

a. Conversion of the United States into the major allied arsenal of war.

b. Security and operation of sea lines of communication.

c. Prosecution of the war in theaters other than Western Europe and areas contiguous thereto.

The representatives will indicate no acquiescence in:

a. Any military plans that might jeopardize or even unduly influence optimum over-all global strategy in favor of either direct military assistance or distribution of equipment.

b. Any command arrangement for an allied military council for global strategy.

The senior U.S. representative should, at the earliest appropriate opportunity in closed plenary session during the London talks, offer a statement which has first been approved by the Joint Chiefs of Staff and which:

a. Discloses the keen interest of the Joint Chiefs of Staff in the Western Union, and in furthering the accomplishment of a common security in peace, but if necessary in war, which is essential to the security of the U.S.

b. Establishes the purposes of U.S. participation.

The service representatives will make no commitments without specific instructions from the Joint Chiefs of Staff.

Supplementary guidance will be forthcoming should the occasion necessitate. In addition, while it is considered that the purposes of U.S. initial participation in the London talks can best be served by holding U.S. representation to a practicable minimum, requests for additional personnel may be submitted, if, in the judgment of the representatives, U.S. participation could thereby be made more effective. Further, while the course of the conversations may well dictate differently, it presently appears that best results could be achieved by holding initial U.S. participation in the London talks to a period of weeks rather than months, with a possibility of later resumption.

The senior Army, Navy and Air Force representatives are author-

ized direct communication with their respective departments on matters of unique or special concern to their respective services.

840.20/7-2048

Memorandum of the Fourth Meeting of the Working Group Participating in the Washington Exploratory Talks on Security, July 20, 1948

TOP SECRET

Mr. Reber reported to the working group that existence of the military talks in London have been reported in the press and therefore the Department would now take the position, if public inquiry were made, that U.S. observers were in London and that any information concerning them should be secured in that city.

Referring to the draft memorandum¹ on Item 1 of the agenda, Mr. BOHLEN said that some points were presented in a somewhat different light than that in which the U.S. Government viewed them. For example, the strength of Russia was perhaps overstated; the U.S. Government considers that our position vis-à-vis the Soviet Union is better now than at any time since the end of the war. Furthermore, he questioned the statement in the memorandum that Russia's ultimate aim is domination of the entire world, since he felt that Stalin, unlike Lenin or Trotsky, would seek to achieve only the maximum, feasible extension of the power of the Kremlin. Russia perhaps might endeavor to be the strongest power in the world, in order to make herself and the satellites invincible to attack by other states or groups of states. Another point in the memorandum stems from this earlier statement, to the effect that the Kremlin ultimately wishes to dominate the United States. Here again the United States has a somewhat different concept of the problem; the present world situation is not viewed primarily as a struggle between the United States and Russia. The United States is interested not only in the military revival of Europe but also in its cultural, spiritual, and economic restoration, so that, in general there can be created the type of world in which the people of the United States would like to live.

The working group then turned its attention to redrafting a memorandum on Item 1.

¹ Not found in Department of State files. This and other drafts of memoranda mentioned in the minutes of subsequent meetings of the working group were subjected to continuing review and were presented in final form as the so-called "Washington Paper" dated September 9, 1948, p. 237.

840.00/7-2148 : Telegram

The Ambassador in the Netherlands (Baruch) to the Secretary of State

TOP SECRET NIACT
U.S. URGENT

THE HAGUE, July 21, 1948—11 p. m.

455. Lovink, Secretary General Foreign Office, and Boon, Chief Political Section, imparted following regarding Western Union Foreign Ministers which concluded two day session last night.¹ (Understood communiqué issued at conference end carried by all press agencies.)

1. Items on agreed agenda including cultural and social matters quickly approved in plenary session. Preparatory Meeting Financial and Economic Ministers to be held in near future to reconcile divergent views economic financial problems and to initiate study long range economic planning between Western Union countries beyond period contemplated by ERP. German economic matters were not discussed.

2. Five Foreign Ministers discussed Dutch paper proposing establishment of organization (presumably in London) to exchange and coordinate intelligence information, to evaluate Communist activities and work out common program to combat Communist (and other) subversive activities. It is emphasized organization would be top level and would have immediate priority for action of Permanent Commission in London.

3. Practically entire second day devoted east-west conflict and Berlin crisis² with discussions centered on efforts to find satisfactory solution to equation containing two unknown factors; firstly whether Soviets will embark on war and, secondly to what extent US willing collaborate with and find means of furnishing Western Union countries with material and moral support.

Specifically morning session was devoted Berlin crisis. Consensus was Russian note³ must be answered and soon, but was up to three occupying powers and was being handled in Washington. Feeling prevailed that in reply western powers must remain firm but not close door further to Soviets.

4. Regarding Washington defense talks Western Union Foreign Ministers had taken great encouragement from them but some questioned whether now was the time for conclusion of an agreement of such scope (to include Iceland and Greenland) which could be interpreted as preparation for offensive action. While talks considered of

¹ Reference here is to the second periodical meeting of the Brussels Treaty Consultative Council, July 19-20, at The Hague.

² For documentation on this subject, see vol. II, pp. 867 ff.

³ See vol. II, p. 960.

utmost usefulness and should be continued lack of proper coordination had led to various interpretations and drawing of different conclusion, but system has been established for better coordination in future.

5. Question uppermost in minds of conference participants was could not US make manifest its military support to Western Union countries in more substantial way because there is need for this support if Western Union is to make most of its potentialities. Conference cognizant of fact with forthcoming Presidential election US beset with difficulties in this connection. Western Union will give US 100 percent military cooperation although it is considered these countries are still too weak militarily to contribute substantially to common cause. In this connection Defense Ministers will shortly meet to discuss ways and means of increasing Western Union military potential, of expediting standardization of arms, et cetera.

6. Question was asked whether US realizes in event of conflict with Soviets (which could be matter of weeks) and curtain goes down over Western Union countries that it will eliminate last great industrial area outside North America and wipe out European cultural and intellectual background. Five countries represented in Western Union are building up their political, economic and cultural strength but are militarily unable to defend themselves if a conflict breaks out soon between US and Soviets. If Western Union had three to five years at present pace of recovery same fear would not exist. It was indicated that by end of August Western Union will know what will be required to strengthen their military potential and meet their economic deficiencies. In these circumstances it was absolutely necessary for the west to stand firm and be prepared for any eventuality but not to move too precipitately. This connection Lovink referred again to suggested Atlantic pact (to include Iceland and Greenland) explaining view was generally held that it would not be in interest of Western Union to join now with their small military potential. It was felt that the public (and most certainly Soviets) would interpret such a step as an offensive act. Soviet Union on the other hand, had not reacted against Brussels Pact which it would be in Western Union (and US) interest to have strengthened substantially before Western Union becomes member of larger Atlantic union.

7. Lovink emphasized Foreign Ministers meeting was characterized by frankness, realism and openness of mind which he had never seen prevail at any similar conference.

Sent Department 455, repeated London 56, Paris 52, Brussels 53.

BARUCH

840.00/7-2148

*Memorandum of Conversation, by the Under Secretary of State
(Lovett)*

SECRET

[WASHINGTON,] July 21, 1948.

Participants: Huseyin Ragip Baydur, Ambassador of Turkey
Mr. Lovett—U
Mr. LeBreton—GTI

The Turkish Ambassador began by saying that before the recent French Cabinet crisis,¹ M. Bidault had summoned Mr. Menemencioglu² and told him that in any consideration of Western European security, the Mediterranean countries from Italy to Turkey could not be left out. On instructions from his government, therefore, Mr. Baydur was calling to inquire what would be the attitude of the United States toward the association of Turkey with the signatories of the Brussels Pact, and what guarantees or assurances would the United States Government be prepared to extend to such a grouping, with particular reference to the Vandenberg Resolution.

I said that no such proposal had yet been made by France. The Ambassador replied that he was assured that it was the French Government's intention to make such a proposal. I then reviewed briefly for the Ambassador's benefit the scope and limitations of the Vandenberg Resolution, which represents the "advice" of the Senate to the Executive Branch of the Government on the conduct of one aspect of our foreign relations. It provides a yardstick for measuring conditions under which the United States Government might furnish assistance to regional security groups. The primary criterion is that the security of the United States, not that of any or all of the participating countries, must be affected. In the second place, the regional arrangement must be continuous and effective. Thirdly, any assistance which we might render would necessarily be in the nature of a supplement to the efforts being exerted by the members of the group themselves, just as the ECA furnishes supplementary economic assistance to the 16 participating countries. In the fourth place, no assistance or assurances could be furnished without the consent of Congress. I added that we were already furnishing aid to Greece and Turkey to an extent exceeding anything the Brussels Pact countries had yet requested of us. I would not like to see our present satisfactory arrangements with Turkey jeopardized by any change in the existing situation.

The Ambassador adverted to his conversation of May 11³ with the

¹ See pp. 639 ff.

² Numan Menemencioglu, Turkish Ambassador in France.

³ See memorandum of conversation, by Marshall, May 11, 1948, vol. iv, p. 83.

Secretary, in which the latter remarked that the security of Turkey was of vital importance. He added that the present United States policy of furnishing arms and equipment is not wholly satisfactory in that it relegates Turkey to the position of a constable who is given the means of defending himself if attacked. Assuming that the primary object of United States policy is to prevent a war rather than assisting the potential victims of aggression to defend themselves if attacked, he felt that it would be far more effective to give Turkey what he termed a juridical guarantee. If this were not done, the Kremlin might deduce that the United States was sufficiently concerned with the security of Western Europe to underwrite the Western European pact, whereas in the case of Turkey it would limit its efforts to furnishing the equipment by means of which the Turks would be expected to defend themselves. He added that his government considered it a dangerous policy for the United States to associate itself with the security of the 5 Western European countries and at the same time to leave the southeastern flank of Europe exposed.

Returning to the Vandenberg Resolution, I again warned the Ambassador of its limitations. In the first place, the State Department did not know exactly what geographic limitations Congress would impose on regional associations. The Western Union countries formed a compact, contiguous group. If this group were extended to include Turkey, new problems would arise. Suppose Turkey then entered into an arrangement with India, which was subsequently extended to China. Would this constitute a regional arrangement of the type envisaged by the Vandenberg Resolution? Obviously, the line must be drawn somewhere or the United States would find itself in the position of underwriting the security of the whole world. The primary criterion, I repeated, was the security of the United States. In this connection, we must be careful not to over-extend ourselves. We lack sufficient financial and economic resources simultaneously to finance the economic recovery of Europe, to furnish arms and equipment to all individual countries or groups of countries which request them, and to build up our own military strength.

The Ambassador interjected that Turkey was a special case, because it alone had been subject to outright demands by the U.S.S.R. for the cession of territory. He repeated in much the same language his previously expressed conviction that without a "juridical guarantee" from the United States the security of Turkey could not be assured.

I told the Ambassador that his government should properly address its proposal to the Brussels Pact countries rather than the United States. The problem, I admitted, had somewhat the nature of the old riddle of the chicken and the egg. It would be impossible for us in

the United States to make any commitments until we knew what the nature of the arrangement was, what countries were participants, what was the extent of their participation, etc. I therefore advised him to inform his government that the United States was not able at the present time to make any statement of what its position would be in the event that Turkey, and possibly certain other countries, became associated with the signatories of the Brussels Pact.

The Ambassador said that our position was understandable but, since no pact under present world conditions could be effective without the active support of the United States, he hoped that it would also be appropriate for him to tell his government that the United States would give sympathetic consideration to a proposal of the type he had outlined, if such should be forthcoming. I assured him that we would give it our most careful and sympathetic attention, but urged him to keep clearly before him the position of the United States and the nature of our responsibilities. To illustrate what I had in mind, I asked the Ambassador to suppose that China rather than Turkey had made the proposal under discussion. He laughingly replied that he represented the Turkish Government, and was primarily interested in the security of Turkey. He again brought up the analogy of the constable, but no new ideas were developed during the remainder of the conversation.⁴

Editorial Note

FIFTH MEETING OF THE WORKING GROUP PARTICIPATING IN THE WASHINGTON EXPLORATORY TALKS ON SECURITY, JULY 22, 1948

In further discussion of the memorandum on Item I, Mr. Stone expressed his opinion that the concept of indirect aggression by the Soviet Union should be more clearly presented. He also suggested altering the final sentence to stress the mutual advantage of a security treaty to each participant, rather than the joining of two distinct groups of Eastern and Western Hemisphere nations. The group agreed that the paper before them could be referred to Mr. Lovett and the Ambassadors for study and possible transmittal to their respective governments. This paper is presumably the draft dated July 22, 1948, not printed, which incorporated the revisions of the day's meeting (840.20/7-2248). The memorandum of the fifth meeting is not printed (840.20/7-2248).

⁴ Copies of this memorandum were sent to the American missions at Ankara, Athens, Brussels, The Hague, London, Moscow, and Paris.

840.20/7-2348

Memorandum by the Secretary of State to the Under Secretary of State (Lovett)

TOP SECRET

[WASHINGTON,] July 23, 1948.

Memorandum for Mr. Lovett:

In an endeavor to ascertain the reason for Mr. Bevin's sudden reversal of position and the character of the announcement made at the meeting of the Western Union representatives at the Hague, I explored the extent of information regarding the availability of our equipment which might have reached Bevin's ears.

During June there were informal conversations between General Frank Festing, British Director of Weapons and Development, and General Aurand of the Army. They went over the entire problem of supplies from both the British and American status. The exploration was on a non-official, non-committing basis regarding the general problem of military equipment and support for Western Union armies.

Among the items discussed were the policy on equipping from US and British sources the nations of the Western Union, determination of existing military stocks of the Western Union countries, existing stocks of military equipment which might be applied to arming Western Union, supply build-up, dates of beginning and completion of program, exchange of date, and a number of other items.

One of the conclusions was, "In addition to consideration of stocks surplus to mobilization requirements, examination must be made of the extent that it might be necessary to issue from existing US and UK stocks in order to equip an immediate force in France, Belgium and Holland. An allocation of equipment from existing US and UK mobilization resources is desirable but decision as to provision of this equipment will depend on the international situation, the capability of effective employment and the existence of a will to resist.

"1. In general, a large proportion of the equipment considered will require rehabilitation prior to issue."

Under the question of "Supply Build-Up", the following discussion occurred: "Consideration must be given to the advisability of furnishing supplies to the Western Union nations *piecemeal*, resulting in a *gradual* build-up, as contrasted with one or more large shipments resulting in a sudden expansion of the fighting forces of the Western Union nations. The necessity for both technical and tactical training in the use of U.S. and U.K. equipment before a large shipment is made favors a gradual build-up, but a sudden build-up would be more favorable."

Here is the most critical part of the matter: Under the title "Dates of Beginning and Completion of Program" the discussion resulted in this conclusion: "Since legislation and appropriation of funds are required for the implementation of a program, the estimated earliest date possible for the first shipment of supplies to the Western Union nations is 1 July 1949. Reasonable material strength might be accomplished by December 1952." (This is a statement of joint position, British and American.)

General Aurand tells me that he did not give General Festing a detailed statement about the condition of our equipment and the complications of its rejuvenation to the extent he gave us day before yesterday; that the limitation date was first that depending upon legislation which was assumed to be dependent on the next meeting of Congress in January; and second, that the further limitation was the rapidity with which the French could be prepared to receive and handle this equipment. Festing felt that it would require a considerable period of time.

Aurand tells me that Festing thought the conclusions they had arrived at were very hopeful and far exceeded his expectations.

G. C. M[ARSHALL]

840.00/7-2648

*Memorandum of Conversation, by the Under Secretary of State
(Lovett)*

TOP SECRET

[WASHINGTON,] July 26, 1948.

Participants: The Under Secretary, Mr. Lovett
The Italian Ambassador, Mr. Tarchiani
Mr. Harry H. Schwartz, AF

During the course of a call on another subject, the Ambassador took the opportunity to express the concern of his government that Italy had not been invited to join the Western Union. He showed no inclination to accept my statement that his government should address itself to members of the Western Union rather than to the U.S. and set forth the following line of reasoning. Italy finds herself in a position of an open door between Western Union on one side and Greece and Turkey on the other. It is to the interest of the United States as well as Italy that this door be closed, particularly as there are American forces in the potentially explosive Free State of Trieste. It would not seem worthwhile to build up Italy economically and not take appropriate steps to prevent her from being overrun by the Soviets. The Western Union powers look to the United States for guidance on military matters and would readily accept an American suggestion

that Italy be associated with them. The United States is the key to the defense of Europe and the association in question is not so much one of a European as it is of an "Atlantic" community. Consequently, the United States has every right to express the American viewpoint on matters which affect American security.

I reiterated that while I was interested in receiving the Ambassador's views on this subject, I could only suggest that his government address itself to the Western Union powers who had grouped themselves together voluntarily and on their own initiative for mutual assistance and security; that the United States operated on the basis of the Vandenberg resolution, and that this country could consider Italy in this regard only when and if the Western Union powers brought up the subject. During the course of the conversation I also pointed out to Mr. Tarchiani that American forces were in Trieste for a definite purpose and not for an indefinite period. When Mr. Tarchiani finally said that he hoped this government would take a position favorable to Italy at such time as the Western Union powers broached the subject to us, I replied that that was a matter which we would have to consider at the appropriate time.

L[OVETT]

S40.20/7-2648

Memorandum of the Sixth Meeting of the Working Group Participating in the Washington Exploratory Talks on Security, July 26, 1948

TOP SECRET

MR. STONE informed the members of the group that Ambassador Wrong had indicated his belief that the memorandum on Item I should be of a tentative nature until such time as all the items had been discussed, when it could be reviewed in relation to the whole. He also suggested that when the memorandum is dispatched to London a covering note be attached to it describing this provisional character.

MR. HOYER MILLAR reported in summary the information which had been received regarding the discussions of the Brussels countries at The Hague. He said that the subject described in Item 3 of the working group's agenda ¹ had been referred to the Permanent Commission for further study, that it had been agreed that the Defense Ministers of the five countries would meet toward the end of August to consider, in general, the strategic concept of Western Europe, and that the ques-

¹ This and subsequent references to the working group agenda may apply to revised agenda not identified in Department of State files, rather than to the one printed on p. 187.

tion of security—e.g., what steps which could be taken against Communist infiltration—was also referred to the Permanent Commission for examination. On concluding their work, the Powers represented at The Hague had agreed to meet again in three months time.

Suggesting that the group turn its attention to Item 2 of the agenda, MR. HICKERSON urged the members to discuss this subject freely and entirely without committing their governments, considering in turn each European country which might possibly be a logical, natural candidate for inclusion in the pact or arrangement under discussion.

MR. HOYER MILLAR stated that he thought in terms of two pacts, not merely an expansion of the Brussels Pact, for this might be accomplished apart from the concurrent formation of a second and wider pact which would be more in the nature of a North Atlantic community group. All members of the latter, for example, might not necessarily be members of the former. Also, some countries might prove more of a liability than an asset to the projected association. He pointed out that Italy must be considered essentially a Western European country yet is not at the present time a suitable candidate for admission to the Brussels Pact. From the political standpoint, MR. HOYER MILLAR believed that Spain perhaps might prove the only country which it would be difficult to bring into this association.

MR. HICKERSON warned against taking any action, or refraining to take any action, which might be construed as a lack of interest in the fate of the free countries in Europe or, for that matter, in the Middle East, since it might invite Soviet aggression in the area concerned. At the same time, he recognized that the association would have to have some geographic limits, although it would be very difficult to draw such a line. For example, if Italy were included, what should be the attitude toward Greece; if Greece were invited to be a member, should Turkey be included? He urged the members to keep this geographic concept in mind as they pursued their discussion.

MR. HOYER MILLAR pointed out that there were many provisions in the Brussels Pact which were wholly peculiar to the European community, such as references to customs unions, colonial issues, etc., all of which made the Pact unsuitable for United States inclusion. When MR. REBER suggested that Spain would probably have to be omitted for the time being, MR. HOYER MILLAR said that the British chiefs of staff placed great emphasis on the strategic importance of Spain, pointing out its vital relationship to the sea-lane through the Mediterranean. Recognizing that the country was unpalatable politically, he thought that our attitude should be to include Spain in the new association as *soon*, and not as *late* as, possible. In this connection, MR. HICKERSON said that the United States chiefs of staff viewed

Spain in pretty much the same light. MR. HOYER MILLAR stated that, on the other hand, the practical consequences of omitting Spain from membership in the next few years would be insignificant, since in the event of an East-West war there was little doubt that any military facilities desired could be readily obtained.

In regard to Portugal, MR. REBER stated that this country was also important from the strategic standpoint, not only because of its position on the Iberian Peninsula but also due to its possession of the Azores. Agreeing to this statement, MR. HOYER MILLAR suggested that Portugal might be tempted to enter such an arrangement despite its close ties with General Franco, if it could come in, as it were, on the ground floor, and could be assured of U.S. support of the pact. In his estimation, another factor which might influence her would be the attitude Brazil adopted toward the new grouping of countries. MR. HICKERSON pointed out that Portugal might request certain guarantees regarding protection against attack on its colonies if it enters the association.

MR. HICKERSON thought that Norway and Denmark would readily join if Sweden were induced to become a member, but that, in any event, the latter country probably would make no decision until after its elections this fall. He also suggested that by remaining outside the association, while Norway and Denmark came in, Sweden might invite Soviet aggression.

MR. HICKERSON said that the question of inclusion of Germany and Austria would pose some very great problems for a long time to come, since treaties have not been signed with these countries, and since both were under military occupation, but that ultimately, as a long term proposition, it was only natural to expect that they would be included. He agreed with Mr. Hoyer Millar that great care must be exercised in their attitude toward Germany in order not to provide propaganda ammunition to those who would charge that the lessons of the last war were being forgotten.

In regard to Ireland, MR. HICKERSON stated that although it was not a member of the United Nations this fact created no insuperable difficulties since the United States and others have advocated its membership in the Organization. Moreover, there was nothing in the UN charter prejudicial to the admission of non-UN members in security arrangements. MR. HOYER MILLAR pointed out that the country would be important strategically, and could provide manpower and military facilities. Furthermore, he believed that Ireland would probably be willing to join any association of which the United States was a member.

MR. HICKERSON stated he believed that Italy was an integral part

of Western European security, although she also would be eligible for any Mediterranean arrangement that might be devised. Despite the fact that the present peace treaties limited its freedom of action and, moreover, limited its military forces, he would like to see Italy a member of the association under discussion. MR. REBER agreed with this statement, suggesting that Italy would be more of a liability outside of the association than as a member of it. MR. REUCHLIN believed that Italy, like Germany and Austria, probably would not be eligible for sometime and that this problem therefore was not an immediate one. MR. HICKERSON pointed out, however, that the positions of the countries were not comparable, since a peace treaty had been signed and since there was no military occupation of the country. Moreover, exclusion of Italy would have a bad effect on the public not only in that country but in the United States. MR. STONE added that U.S. public opinion might demand its inclusion.

So far as Greece and Turkey were concerned, MR. HOYER MILLAR and MR. STONE agreed with Mr. Hickerson that it would be very difficult to include them in any pact that was truly regional. MR. HICKERSON suggested that the problem should be met by including a statement to the effect that these two countries do not satisfy the criteria established in any creation of a North Atlantic association, but that certain steps should be taken to ensure that the security of the countries would not be compromised by their remaining outside the group.

When MR. HICKERSON suggested that Brazil probably should be included, MR. HOYER MILLAR expressed the opinion that any military facilities that might be desired probably could be obtained in any event under provisions of the Rio Treaty.

In conclusion, MR. HICKERSON suggested that it might be helpful to produce a sort of time-table in which all prospective member states could be listed with the approximate time when they might appropriately be included as members of the association.

Editorial Note

SEVENTH MEETING OF THE WORKING GROUP PARTICIPATING IN THE WASHINGTON EXPLORATORY TALKS ON SECURITY, JULY 28, 1948

The group continued its discussion of treaty membership, attempting to construct a rough timetable for invitation of prospective adherents. Countries considered for early inclusion were Iceland, Ireland, Norway, Denmark and Sweden, though there was some question

as to whether the last three should be invited separately or as a bloc. Portugal was suggested as a possible addition to that list. Italy, if invited, would seem to require special timing.

The possible adherence of Spain, Western Germany and Austria was discussed in terms of political feasibility in the more distant future. An invitation to Brazil was thought likely to cause undesirable complications. Membership in the United Nations was not believed necessary for inclusion in the pact.

Discussion of Switzerland was postponed. It was suggested that Greece, Turkey and Iran be mentioned in the working paper, although not likely members, in the hope that some means would be found to insure that their security would not be compromised by non-inclusion in the proposed pact.

The memorandum covering this meeting is not printed (840.20/7-2848).

840.20/8-648

Memorandum of the Eighth Meeting of the Working Group Participating in the Washington Exploratory Talks on Security, August 6, 1948

TOP SECRET

The Group considered a preliminary statement of "The Territorial Scope of a Western European and North Atlantic Security Arrangement" (Agenda Item 3a) prepared by the drafting party.¹ No major substantive revisions were proposed, but several changes were made in the introductory paragraph and the recommendations respecting each country, at the suggestion of representatives of both the U.S. and other countries. The language of certain sections of an alternate draft of the paper by Mr. Hoyer-Millar² was substituted for some parts of the present text. It was agreed that a redraft incorporating the changes suggested and following the general form of Mr. Hoyer-Millar's paper should be prepared for the next meeting at 3:00 P. M. Monday, August 9.

Discussion of "The Nature of North American Association with North Atlantic Security Arrangements" (Agenda Item 4) was postponed to the next meeting, when Mr. Bohlen will be present to outline his views.

¹ The preliminary statement on Item 3a and information concerning composition of the drafting party not found in Department of State files.

² Alternate draft not found in Department of State files.

840.00/8-648

*Memorandum of Conversation, by Mr. Charles E. Bohlen, Counselor
of the Department of State, to the Secretary of State*

TOP SECRET

[WASHINGTON,] August 6, 1948.

Mr. Bérard, the French Chargé d'Affaires, came to see me this morning to convey the concern of the French Government over certain aspects of the problem of security of the Western Union countries and, in particular, the course that the Washington conversations on this subject appeared to be taking.

Mr. Bérard gave me the following expression of his Government's views:

1. The French Government believed from statements of the Secretary of State and the President that once the Brussels Union was formed and steps were taken for the coordination of their military strength and the inventory of their state of military supply etc. the United States would consider U.S. association with the Brussels Union and at the same time examine the question of military supplies with a view to supplementing the needs of the participating countries.

2. The discussions seemed to be turning towards a larger arrangement called the North Atlantic Pact which would include other nations in a very loose and indefinite arrangement; that the analogy with the Rio Pact had disturbed the French Government which felt that the provisions for consultations, in the absence of any precise engagements of a military character, contained therein would be insufficient for the European problem where the menace of Soviet aggression was very real and immediate.

3. The French Government understood that as long as the American troops were in Germany a political pact was more for the future than for the present but felt that for the future a more precise and definite mutual obligation would be necessary; that in every democratic country the vote of the Assembly or Parliament was required for entry into war but that this should not prevent any arrangement from being precise as to the nature of the obligation and assistance which would occur in the event of hostilities.

Mr. Bérard said that he was giving me the above because these views would be reflected in the working party discussions here in Washington and he wished to forewarn me. He went on to say that the French Government felt that while it looked to them as though any form of assistance to Western Union, particularly in the form of military supplies, would be long delayed, the developments in regard to Germany and in particular our attitude thereto might well bring matters to a head in Europe before then. I asked Mr. Bérard what he had in mind when he said "our attitude towards the German situation" since I felt that basically it was identical with that of the French and British Governments in regard to Berlin. He said what his Gov-

ernment had in mind was the fact that General Clay ¹ had been making very strong statements from Berlin about armed convoys and not getting out of Berlin short of war. I told Mr. Bérard that we were fully aware of the risks which had been involved in the Berlin situation and that it was for that reason that the United States Government had been very strong for the oral approach to Stalin as we felt that a more formal course of action as originally favored by the French and British Governments would have tended to increase the risk of war by crystallizing in formal notes the position of the Soviet Government; that we had felt that an oral approach offered the best way of finding out how far the Soviets were prepared to go and of exploring the means of some arrangements to avert the deterioration of the situation without either surrender or a real risk of war. Mr. Bérard agreed with this and admitted that he had left Paris before the interview with Stalin had taken place and possibly his Government's views on this point had been altered.

I took occasion to point out to Mr. Bérard that we did not feel here that Berlin was really the issue; that the real issue was the Soviet determination to disrupt the recovery of Europe and above all to prevent, if possible, the very point in which the French Government was primarily interested, namely, the revival of some military strength on the continent. I said that with full recognition of the present military position on the continent, nevertheless, to yield to Russian pressure would be certain to invite it very soon at another place under worse conditions. Mr. Bérard agreed fully with this statement but reverted to the French view that the important thing was to accelerate the development of some military strength on the continent. He said that his Government felt that the Brussels Powers had taken certain very definite steps along the lines which he thought corresponded with the views of the United States and that they, in effect, constituted a hard core of European association and it would therefore be quite logical, without waiting for other powers, that some measures be worked out to help the Brussels countries to become more of a factor in the security of Europe and of the world. He specifically inquired whether the idea of a North Atlantic Pact could not be accompanied by some arrangements directly with the Brussels Union countries which had already begun to coordinate their military planning and supply problems. I told Mr. Bérard I would discuss this idea with the Under Secretary and Secretary and that it would undoubtedly come up in the course of the talks here in Washington.

I told Mr. Bérard quite frankly that our difficulty was that under

¹ Gen. Lucius D. Clay, Commander in Chief, U.S. Forces in Europe and Military Governor, U.S. Zone, Germany.

the intent of Congress, as expressed in the Vandenberg resolution, it was important that our relationship to Europe for defense purposes would not be piecemeal and with a whole series of individual countries or separate groups thereof; that we felt that the ERP formula with certain obvious exceptions was the right approach to the problem of security and defense. I pointed out that to form some association only with the Brussels countries would leave outside of any such arrangement the majority of the Marshall Plan countries, many of whom were more exposed than the Brussels countries themselves to Soviet attack; that the problem, as we saw it, was to endeavor to work out a formula that would in effect cover as much of the free nations of Europe as would be militarily and politically and geographically possible. I told him I thought it would be difficult to get Congressional acceptance for any such arrangement with a few countries in Europe which would in effect merely deal with a small portion of the problem of European security. The same considerations would apply to any material assistance in the form of supplies; that it would be difficult to have one supply program for the Brussels countries and then have a series of unrelated and isolated requests from other countries such as Norway and Denmark. I told Mr. Bérard that in so far as any supplies were concerned, we had no surplus available now and that any program which might be submitted to us by the Brussels countries would have to be screened and submitted to Congress at the next session. I said, in any event, the matter of needs and supplies was being examined in London and not in Washington.

It was apparent that the French Government is primarily interested in the question of obtaining military supplies as soon as possible for the Brussels countries and somewhat less in the question of political commitment which, according to Bérard, they recognize from a realistic point of view would only apply to the future. Mr. Bérard, in leaving, repeated that he was giving me this information so that we would be forewarned before these views were expressed in the present conversations in Washington.

CHARLES E. BOHLEN

840.20/S-948

The Counselor of the Department of State (Bohlen) to the Under Secretary of State (Lovett)

TOP SECRET

WASHINGTON, August 9, 1948.

MR. LOVETT: At today's meeting,¹ I propose first of all to invite the other representatives to express their views, and particularly Mr. Bérard on the grounds that he has just returned from Paris.

¹ Ninth meeting of the working group. See *infra*.

If the discussion turns to the question of immediate assistance to the Brussels Union countries, I shall say that that is not, as we understood it, a subject for the Washington conversations, but that the question of needs is being considered at the London staff talks; that obviously there would be no advantage in even attempting to consider the question in an exploratory fashion in Washington until the exact needs of the Brussels countries have been set forth, which would be contained in General Lemnitzer's reports.

On the political side, I will suggest that the working party continue in an entirely exploratory fashion to consider the various possibilities of regional groupings in Europe with which the United States might consider association. I feel I should emphasize that even in the political field the United States would not wish to make a series of piecemeal associations with individual groups or individual countries in Europe; that there were really two aspects to the question: (1) the type of regional association in Europe which would provide the maximum security in itself to the European community, and (2) the relationship of that grouping to the security of the United States. I think I might reemphasize the exploratory nature of the talks in order to avoid any impression that we were expected to reach definite conclusions involving even indirect commitments during this stage of the Washington talks; that in effect these Washington talks are really, from our point of view, to find out how far the Europeans themselves have gone in the direction of mutual self help for the protection of the entire free European community, or whether there were further steps that the European nations themselves could take in the direction of enlarging the regional arrangement, or otherwise, before turning to the United States to supplement politically the European efforts.

If you approve the above line, would you please return it to me for use at this afternoon's meeting.²

CHARLES E. BOILEN

² The file copy of this memorandum shows Lovett's initialed "OK" in the left margin opposite the second and third paragraphs.

840.20/8-948

Memorandum of the Ninth Meeting of the Working Group Participating in the Washington Exploratory Talks on Security, August 9, 1948

TOP SECRET

The paper on "The Territorial Scope of the Western European and North Atlantic Security Arrangement" (Item 3a of the agenda) was approved as revised for submission to higher authorities representing the countries participating in the Talks. The language suggested by

the British was substituted for the last sentence of paragraph 1, and in paragraph 4 the phrase following "Western Germany" was changed to read "if Germany remains divided". This paper is subject to change in the light of reports of the Consultative Council now meeting in London and the participant countries' recommendations thereon.¹

In opening the discussion of "The Nature of North American Association with North Atlantic Security Arrangements" (Item 4 of the agenda), Mr. BOHLEN suggested that short-term assistance be considered separately from proposals for a long-term arrangement. The short-term aspects relate to plans for immediate measures which this country might take to reinforce and strengthen the military security of Brussels Union countries. These questions are more military than political, and are the subject of current discussions in London. They are beyond the scope of the Washington working group since they are based upon actual military requirements and no treaties are expected to be signed. A treaty respecting short-term military assistance from the U.S. would not be required since immediate military support could probably be furnished through a Presidential Directive. The maintenance of U.S. forces in Western Germany should be sufficient assurance of our concern with the immediate aspects of military security of Western European countries. It is expected that the consultative group will provide an estimate of the overall military requirements of Brussels Union countries, upon which we can base our plans for the extent and type of immediate military assistance which the U.S. might furnish. In considering the question of short-term assistance, the possible role of Norway, Iceland, Ireland, and Portugal should be explored since the strategic position of their territories makes their participation essential to any military program of Western European countries.

Mr. BOHLEN stated that U.S. participation in any long-term arrangement would be based on our established policy of supporting the maintenance of freedom and economic well being in Western European countries through both individual and unified efforts on the part of those countries. The U.S. role in the Recovery Program might be cited as an example of our support of one aspect of this policy. In the field of military security, we would prefer an arrangement embracing as many countries as possible. Such an arrangement would be more likely to meet with approval in Congress, since the same Congressional leaders who supported the Vandenberg Resolution are likewise in favor of unified effort among European countries. It is doubtful that arrangements with small groups of countries or bilateral arrangements would be ratified by Congress. It would be inadvisable and in-

¹ This paper not printed. For final revision, see part II of the September 9 "Washington Paper," p. 240.

appropriate for the U.S. to adhere to the Brussels Pact since the Pact covers cooperation in other than military fields, and many of the countries essential to maintaining the security of Western Europe are not signatories thereto. Countries, in addition to members of the Brussels Union, which should participate in any arrangement may be classified in two categories: (1) those which would serve as a link between Western Europe and North America, such as Norway, Iceland, Ireland, and Portugal, and (2) those essential to military security from the European standpoint, for example, Italy or Sweden. Thus, the objective of any arrangement would be to provide for (1) a unified association for military security of Western Europe, and (2) the participation of countries which would serve as a link between North America and Europe.

With regard to the type of association contemplated, MR. BOHLEN stated that any arrangement concluded by the U.S. must be (1) within the terms of the UN Charter, and (2) must recognize the separation of powers of the U.S. Government. Plans for the arrangement should be based on the Inter-American Treaty of Reciprocal Assistance (the Rio Pact). The strategy contemplated in the Rio Pact differs from that in the Brussels Pact but the obligation to afford assistance to a country under aggression is similar. A commitment such as that contained in Article IV of the Brussels Pact, which binds each country to provide all military and other aid and assistance in their power, is unacceptable under the U.S. Constitution in view of the fact that Congressional action is required prior to entering into a state of war. Furthermore, the U.S. could not be a party to any Pact which would provide that the United States would automatically be at war as a result of an event occurring outside its border, or by vote of other countries without its concurrence. However, the Rio Pact provides that in case of an attack on one of the signatory countries a military staff committee shall meet immediately to plan the overall strategy which might be taken. In the Brussels Pact, on the other hand, the existence of a permanent military staff committee with detailed information on the actual forces in each of the participating countries serves to obligate all countries that are a party to the Pact to wage war with all forces at their disposal.

MR. BOHLEN stated that although the Brussels countries have taken the first step toward achieving military security by signing the Brussels Pact, the United States has also taken similar measures independently through the Vandenberg Resolution, rearmament, and the draft law. The task remaining is to develop a security arrangement for all Western Europe and to determine the role of the United States and Canada in this arrangement. He suggested that at the next meeting,

scheduled for 3:00 PM, Thursday, August 12, a paper be prepared on the type of arrangement which might be concluded with emphasis on the role of those countries which would provide the connecting link in any military program undertaken jointly by the countries of Western Europe and North America.

840.20/8-1248

Memorandum of the Tenth Meeting of the Working Group Participating in the Washington Exploratory Talks on Security, August 12, 1948

TOP SECRET

[Here follows a beginning paragraph concerning the members' decision to ask their governments to investigate certain public disclosures of confidential information dealing with the London Military Talks and to take all necessary steps to prevent further disclosures.]

The group considered a paper prepared by the State Department Working Group listing provisions of the Rio Treaty which might be suitable for inclusion in a North Atlantic Security Arrangement.¹ Mr. Hickerson suggested that for psychological and many other reasons the Preamble of the United Nations Charter might be appropriate as the preamble for the proposed North Atlantic Treaty. Mr. Hoyer Millar and Mr. Bérard suggested more precise language for Article 3 of the Rio Treaty, which provides that an armed attack against one Party shall be considered an attack against all Parties, and requires each Party to assist in meeting the attack. Mr. Hoyer Millar proposed substituting language such as, "An armed attack against any High Contracting Party shall be considered by each Party as an attack against itself, and consequently each Party undertakes to assist in repelling the attack by military, economic, and all other means within its power." Mr. Hickerson explained that our Constitutional provision that only Congress can declare war prevents us from entering into any commitment that the United States would automatically be at war as a result of an attack on another State. It may be that "within its power" would provide the safeguards necessary under our Constitution. Furthermore, immediate military assistance could be ordered by the President in his capacity as Commander-in-Chief of the U.S. Armed Forces. In signing a treaty of reciprocal assistance such as the Rio Treaty, the President would obligate himself to take all measures required to fulfill United States commitments.

¹ Draft dated August 10, 1948, not printed (840.20/8-1048).

Mr. Hickerson felt that obligations of the signatory States might be specified more precisely in defining the functions and responsibilities of a consultative organ under Article 10 than in the statement of the duty of each Party if another Party were attacked. Mr. Bérard emphasized that a European country under invasion would have to be furnished assistance with the greatest speed and suggested therefore that the Organ be required to meet beforehand in order to agree upon plans for unified resistance to any attack. He felt that the proposed Treaty should provide for advanced planning by such an agency, as well as action after hostilities had commenced.

Mr. Hickerson pointed out that entering into a pact such as the proposed North Atlantic Security Arrangement would constitute one of the most far-reaching changes in our foreign policy in U.S. history. Therefore, it is necessary before concluding such an arrangement to insure that the treaty would meet with Congressional approval. Acrimonious debate over the Treaty or serious objections to certain of its provisions by leaders in Congress would actually serve to jeopardize the security of Western Europe. Since the Rio Treaty has already been approved by leaders in the Senate, it would be advisable to adopt similar language for a North Atlantic Treaty, particularly in Article 3. Mr. Bérard said that difficulties in ratifying the treaty might be experienced in France if it did not provide for advance planning and immediate military assistance.

There was some discussion of the geographic area to be covered by the terms of the Treaty. Mr. Hickerson stated that the United States position on this question is flexible and that we would welcome the suggestions and views of other countries. With respect to the action required of signatory states in the event of an attack on a state not a party to the arrangement but within the area prescribed, it was generally agreed that the arrangement should provide for immediate convocation of the Organ of Consultation so that collective measures might be planned.

The Group decided to reconsider the subject paper at the next meeting at 3:00 P. M. Monday, August 16, after the various governments represented have had time to study the articles listed. After suggested changes or additional articles have been incorporated, the paper should be submitted to the Under Secretary and the Ambassadors who will probably meet during the week of August 16. A draft treaty would be drawn up only upon instructions of the Ambassadors.

A paper on the Nature of North American Association with North Atlantic Security Arrangement (Agenda Item 4) should also be prepared for this meeting. This paper should contain the conclusion of the Group that there appears to be no alternative to a North Atlantic Security Arrangement in meeting the objectives desired.

*Editorial Note*ELEVENTH MEETING OF THE WORKING GROUP PARTICIPATING IN THE
WASHINGTON EXPLORATORY TALKS ON SECURITY, AUGUST 16, 1948

The eleventh meeting was devoted to discussion of the points to be covered by a drafting party in its preparation of a statement on "The Nature of North American Association with a North Atlantic Security Arrangement." The unsigned memorandum of this meeting is not printed (840.20/8-1648).

*Editorial Note*TWELFTH MEETING OF THE WORKING GROUP PARTICIPATING IN THE
WASHINGTON EXPLORATORY CONVERSATIONS ON SECURITY, AUGUST
18, 1948

The twelfth meeting was devoted to discussion and suggested revision of draft statements on the "Nature of North American Association with North Atlantic Security Arrangements" and the "Outline of Provisions which Might be Suitable for Inclusion in a North Atlantic Security Arrangement." The unsigned memorandum of this meeting is not printed (840.20/8-1848).

840.20/8-2048*Memorandum of Conversation, by the Under Secretary of State
(Lovett)*

TOP SECRET

[WASHINGTON,] August 20, 1948.

Participants: French Ambassador, Mr. Henri Bonnet
Belgian Ambassador, Baron Silvercrux
Netherlands Ambassador, Mr. E. N. van Kleffens
Canadian Under Secretary of State for External
Affairs, Mr. Lester B. Pearson
Canadian Chargé d'Affaires ad interim, Mr. Thomas
Stone
British Minister, Mr. Hoyer Millar
Under Secretary, Mr. Lovett

In accordance with the proposals made by the Ambassadors of Belgium, France, and the Netherlands, a meeting was held at 10:30 at my house at 2425 Kalorama Road. Messrs. Pearson and Stone were present from Canada and Hoyer Millar for England.

It was stated at the outset that this meeting was completely informal and unofficial, that there would be no minutes or records taken of it, and that the results would not be reported to the respective Governments since the purpose was to permit the members of the group to consider the problem as individuals apart from their official capacity and to express their personal difficulties or doubts as to various aspects of the program so far developed.

Baron Silvercrux led off by saying that he feared that we might not be coming to grips with the basic question since, in the formal meetings, each Ambassador felt it necessary to state a position for the record or for the benefit of his Foreign Minister. He did not feel that we would make much progress until the respective countries got a clear understanding of what was (a) desirable from this country's point of view, and (b) possible from this country's point of view. By this he meant quite bluntly whether, for example, a North Atlantic Pact of some sort was necessary or whether some defensive arrangement could be made with Western Europe without having a North Atlantic Pact. He, therefore, would like to ask me and Pearson, in that order, to give our frank personal answer to this question.

I said that, before answering the question, I wanted to emphasize again what seemed to me to be the clear over-riding importance of the expression in the Vandenberg Resolution regarding the effect which any arrangement would have on the national security of this country. They were well aware of the four main criteria of the Vandenberg Resolution. All of these were important but, speaking purely personally, it seemed to me that this country could not justify any arrangement unless it could be shown that the arrangement improved the national security of this country either by making the outbreak of war less likely or by improving the prospects of defense of this country in the event war broke out.

Against that background, therefore, I had previously in the formal meetings stated that we could not see any basis for the United States joining the Brussels Pact as such in its present form because it did not conform either to the political necessities or to the minimum physical requirements imposed by geography.

I recalled that we had indicated that there must not only be a bridge over which help might flow in both directions in case of need, but also a bridge in the sense of a series of land stepping stones to permit aid to be given. I would, therefore, answer his question as responsively as possible and, as an indication of my personal views only, as follows: (1) We would not be interested in joining the Western Union as such. (2) We would not meet the essential requirement of the Vandenberg Resolution unless the areas vital to our national se-

curity were included in any regional pact. (3) While it was impossible to predict what the attitude of the new Congress might be, there was reason to believe that a naked arrangement, under which we merely gave military supplies to Western Europe in the absence of some pact requiring assistance to us in case of need, would be unacceptable to Congress.

The difference between long-term and short-term measures seemed to me to be more theoretical than realistic since any measures would require Congressional enabling legislation and appropriations, whether long or short-term, except in an atmosphere of emergency or under actual attack, in which case we would presumably be immediately involved if it came through Germany. I said that I would go into this further if they wished after Pearson had spoken for Canada.

I also mentioned at this point the fact that our discussions so far had been exploratory and that there was ample room for amendment or adjustment to meet changed situations, as, for example, circumstances which might arise out of a temporary solution of the Berlin problem. In this connection I said that we were anxious throughout to avoid in any arrangement, whatever its form, the drawing of a sharp line between Eastern and Western Europe which would cause us to say that everyone east of the line was an enemy and everyone west a friend, thus making it difficult if not impossible for anyone presently in the Eastern orbit to come in to the Western fold at some later date.

Pearson said their position was almost identical; that he could summarize it best by making four short statements. (1) Canada was not interested in joining the Brussels Pact, as it would make no sense for them to have an obligation 2,500 miles away with all the areas in between being insecure. (2) They were not in a position to contribute to the rearming of Western Europe simply for the purpose of building up Western Europe no matter how desirable that would be from the over-all point of view of their security. (3) They would not be interested in any pact which did not cover the North Atlantic approaches. (4) They were definitely interested in such a pact and felt it had a direct bearing on their national security.

He said that he understood the United States position fully and perhaps better than his colleagues, and recognized the tremendous advance in thinking which the Vandenberg Resolution represented. He also was aware of the Congressional difficulties in the way of making arms available to Europe on a loan or grant basis in view of the very heavy charge on the American budget for ERP and its own rearmament program. It was his opinion that it would be far easier, if not essential, for this country to have an association with some sort of a regional pact which met its national defense need than it would be

to deal with the rearmament of Europe as a project which, while obviously improving the security of this continent, did so in a remote rather than a direct fashion.

Silvercruys said that the questions and answers had greatly clarified his understanding. The others agreed with the exception of Bonnet, who said he wished to make some observations with respect to the short-term and long-term problem. Discussion continued in amplification of the above points and I repeated again that this country at the present time was exerting its maximum effort to help the economic recovery of Europe through ERP and to improve its military readiness in its rearmament program; that we could not carry the whole load indefinitely; and that, as to the military aspects of any program, whether it be through a regional pact or through the supplying of military matériel without a pact but with some form of side agreements, the prerequisite was in my personal opinion, a showing that the national security of this country would be advanced more by one measure than the other.

Van Kleffens and Silvercruys next joined in asking Pearson and myself whether their understanding was correct that what the formal discussions had brought out was that Canada and the United States might be interested in joining a regional defense pact (called, for the purpose of these discussions, a North Atlantic Community) and, through the North Atlantic Community as a bridge, become associated with the Brussels Pact signatories who would also join it. I said this was one of the possibilities discussed and, of the suggestions made, it seemed more closely to conform to our defense requirements. Pearson's statement was more precise in that he said they would not be interested in any pact which did not have the North Atlantic Community in it.

Van Kleffens and Silvercruys next said that, on the assumption that some form of North Atlantic pact was necessary (and they expressed their personal agreement with this position), what was the absolute minimum in numbers of countries necessary to make a North Atlantic pact effective in the national security sense. They requested that we state the ideal minimum first and then the practical minimum.

I told them I was not competent to answer this but, as a guess and for the purpose of discussion, I would say that Greenland, Iceland, the Azores and Norway would be the minimum, ideally and perhaps practically also. Pearson agreed. Hoyer Millar said, in answer to the question about Norway, that Britain regarded Norway and Denmark as absolutely essential. There was considerable discussion at this point on the sea lanes and air routes as well as the land bases involved.

Van Kleffens said that he understood fully the position of this country and its preoccupation with the element of national security.

He reminded the group that he had said at the outset that he did not see how this country or Canada could join the Brussels signatories without some connecting link. The concern of his Government, however, had been centered on the indications in the minutes that the exploratory talks had developed a large list of countries, including, for example, Italy, Sweden, etc. It was his own feeling, which he thought corresponded with that of his Government, that membership in any pact should be expanded slowly, as it would be dangerous to bite off more than we could chew. He cited Italy as a case in point, saying that their contribution would be small whereas their addition to the risk because of the Trieste-Yugoslav border difficulties might be large. He, therefore, felt that it was a mistake to include in the paper Italy as a "necessary" member of the pact but recognized fully the fact that she must not be isolated by being left out of some sort of an umbrella arrangement although it might not be a full membership.

I reminded the group that I had stated at an earlier formal meeting that there might be several classes of membership, which appeared to have the concurrence of the present group. I had referred to them then as resident members, non-resident members, and summer privileges.

Van Kleffens recalled that and said that he was trying to point up a problem which most certainly was in his country's mind and that is that they added the minimum number necessary to meet our national security needs in the first year and expanded the number only as the strength of the Defense Pact members grew proportionately. There seemed to be general agreement on this point.

Bonnet could not hold back any longer and entered the discussion by saying that France, although a member of the Brussels Pact, had immediate problems to meet which a long-term pact would not solve. She wanted military equipment at once and she needed some form of assurances today. He expanded on this in rather a confusing fashion and at considerable length. Pearson and several others pointed out that, for the first time in history, the United States was in Europe at a time of peace with a substantial army, and it was very hard to see what step could be taken which would even faintly approach the assurance of the maintenance of peace given by the American occupation forces. Bonnet, however, obviously had a prepared speech which he had to get off his chest and he occupied about an hour in doing so.

In summary, his position was as follows: (1) France is worried as the near neighbor of Russia. (2) The French people did not regard the American troops as an adequate guarantee of their security. (3) They wanted more tanks and more equipment. (4) They wanted these apparently inside or outside of any pact, together with any guarantees that they could pick up for their territorial integrity. Bonnet kept insisting

that we should be making arrangements for the immediate defense of France through Joint Staff talks and the re-equipping of her Army.

Hoyer Millar answered at once by pointing out that the three Commanders in Germany had been developing plans before the Western Union talks started here and that, in addition, there were military missions operating now in London on this very subject. He could not see, therefore, what Bonnet meant by his comments unless there was some misunderstanding. The cat then came fully out of the bag, for Bonnet stated that he thought that we were putting our time on a long-range program instead of developing a current military program and re-equipping the French Army. It was clear that he had not been adequately informed by his Government or was deliberately trying something on for size.

I told Mr. Bonnet that the only agency of government concerned with the Western Union was the Department of State, with certain military assistance, and that the full time of the military establishment and other industrial agencies of the Government had been devoted to the rearmament program; that he must be aware of this since our military budget was something over 15 billion dollars and over 30 percent of our total budget. I reminded him that the military talks were initiated in London as promptly as the invitation was received and that work was going ahead 24 hours a day on it. I, therefore, was somewhat mystified by any idea that these talks on the Western Union program could in any way interfere with the short-term or emergency necessities.

At this point I reminded him that there was no more surplus military property. He stated that all the Army had to do was to say that something was surplus. I told him he was misinformed on this and referred him to the military equipment regulations developed in June, which constituted a specific prohibition to the Army against the delivery of war matériel under the classification of surplus. Canada and Belgium both cited instances of their endeavors to obtain matériel from the Army at this time in an effort to explain to Bonnet what the situation is.

I had a feeling that one of Bonnet's problems was that he may have misinformed his Government as to the possibility of obtaining surplus materials since he mentioned the fact that they had an unused surplus credit in this country and he could not see why he could not use it to buy, as he said, modern tanks. I think it became fairly clear to the others that Bonnet was, in effect, arguing for the rearming of France in preference to any other course of action and as a matter of top priority. Pearson pointed out that, even if France were rearmed to the extent of, say, a half a dozen divisions, that would not be a guarantee that her territory could not be invaded if she were compelled to stand more or less alone. He also told Bonnet rather bluntly that it

was lucky for all of them that the United States Army was in Germany.

Bonnet kept referring to various forms of guarantees without defining what he meant, so I repeated again the statement that we would not give anybody a guarantee and that any action we took would have to be after Constitutional processes.

The conversation finally got back on the rails again and there were more exploratory questions as to whether an arrangement under which this country might help rearm the Brussels signatories would be more practical from the domestic political point of view than a North Atlantic regional pact. Pearson said that, for his country, it definitely would not, and I reiterated that I thought the days of lend-lease were over and that it was hard for me to believe that this country would simply operate down a one-way street of assistance. There seemed general agreement on this.

Bonnet made one final try to get back to the discussion of France's individual problem. He said that France had made many requests for military assistance in the form of war matériel and that she was in urgent need of it, and he thought that this was something which should receive immediate attention. I told him it had received immediate attention as he very well knew from his discussions with the Army and with us, but that I was unable to understand whether he was making his request as a member of the Brussels Pact or whether this was outside the Brussels Pact. He said, in effect, that he was making the request in both capacities but wanted the help anyway. I asked him if his request had been cleared through the military group in London. He said he did not know. I asked him then how he thought this country could possibly deal with requests from everybody in Europe if we went at it piecemeal and I reminded him that I thought one of the original purposes of the Western Union was to coordinate the rearmament program. The others sailed into Bonnet at this point and he said that he would revert to it later.

The discussions then turned to the form which an agreement might take. I told them I thought that the Rio Pact, with the exception of those items included for the benefit of South American states, represented almost the maximum and that the language in paragraphs 5 and 6, in particular, of the preliminary working paper¹ would not in my personal judgment be acceptable—specifically the three words in paragraph 5, “in all fields”. The expanded obligations in paragraph 6 likewise seemed troublesome.

As the conversations had gone on over two and a half hours at this point, it was agreed that the most useful procedure at present would

¹ The reference here is to the “Outline of Provisions Which Might Be Suitable for Inclusion in a North Atlantic Security Arrangement,” which was the annexed portion of earlier drafts, not printed, of the paper submitted by the Working Group to the Ambassadors Group on September 9, p. 237.

be to have each of the Ambassadors brief his working party member on the general line taken by the conversations this morning with the hope that the working party could reconvene on Tuesday or Wednesday and produce a revised paper in certain respects, particularly in connection with item 3, so that the same group could meet in similar informal personal discussions on, say, Friday of next week.

It was agreed that the existing paper would not be forwarded by the Ambassadors to their Governments. It developed that both Silvercruys and Van Kleffens felt that the U.S.-Canadian requirements and the reasons for much of the procedure and language in the paper were not fully understood by their Governments and they both stated that they felt so strongly about the validity of some of these points that they would be prepared to fly back home to clarify the matter in person if needed. They also indicated to me in private that they were trying to reorient Bonnet and said that they had doubts as to whether his Government had really given much consideration to the basic approach, being much more fully occupied with the immediate rearmament problem in view of the nervousness which they felt arising from the tension in Europe.

ROBERT A. LOVETT

840.20/8-2348

Memorandum by the Secretary of State to President Truman

TOP SECRET

WASHINGTON, August 23, 1948.

I have just completed a lengthy discussion with Secretary Forrestal, Secretary Royall,¹ General Bradley and General Gruenther regarding a decision that has to be taken by us prior to the meeting tomorrow in London regarding the Western Union organization of the defensive forces. It has not been thought advisable to attempt to see you personally because of the fact that the meeting might be reported, and in view of the tense situation in Moscow, that would be unfortunate. Hence this memorandum.

It is the unanimous opinion that our observer should go ahead in agreement with the organization on the continent of a Western Union supreme commander and staff, this to be done as secretly as possible, no American representative being formally included on the staff at this time, but a place reserved for an American deputy supreme commander. Further, that we support the appointment of a Western Union supreme commander from among the list: Montgomery,² Alexander,³

¹ Kenneth C. Royall, Secretary of the Army.

² Field Marshal the Viscount Montgomery of Alamein, Chief of the British Imperial General Staff.

³ Field Marshal the Viscount Alexander of Tunis, Governor-General of Canada.

or the French General Juin,⁴ now in Morocco. The probability is that the French would not put forward General Juin, but someone else less desirable. Our feeling is that under the circumstances, considering the extreme difficulty of the position in the early stages of hostilities, should that develop, a man of the forcible character of Montgomery would probably be preferable.

The point of this memorandum is that we did not want, without advising you, to commit ourselves to the support of the appointment of a supreme commander of the Western Union forces, who would automatically become the supreme commander of the Western front and, as such, would be exercising command over the American troops now in Germany. We are all in agreement at the present time that during the preliminary phases of hostilities, should that occur, it would not be advisable to have an American commander. Incidentally, the British are very insistent that there should be an American commander.

We will make a specific reservation regarding the control and employment of the strategic air force, which will be the most powerful weapon and almost entirely American, except for fighter aircraft and medium bombers.

This memorandum is being carried to you by General Gruenther. In view of the urgency of the situation, I hope you can give him immediate approval or modification so that the British can be oriented this evening.⁵

G. C. MARSHALL

⁴ Alphonse Juin, Resident General of France in Morocco; Commander in Chief of the French Theater of Operations of North Africa.

⁵ The following handwritten message with signature appears on the file copy under Marshall's signature: "Suggestion approved August 23, 1948, Harry S. Truman." In a separate, handwritten communication to Marshall, also dated August 23, President Truman cautioned: "I have approved your memo of August 23, '48 today. It is my opinion however that we must be very careful not to allow a foreign commander to use up our men before he goes into action *in toto*. H.S.T."

840.00/8-2748: Telegram

The Secretary of State to the Ambassador in France (Caffery)

CONFIDENTIAL

WASHINGTON, August 27, 1948—7 p. m.

3355. For the Ambassador. In response to press request for comment French Govt's proposal for five power meeting consider convocation European Representative Assembly Advisory Powers Dept has released following statement:

"As stated in the Preamble of the Economic Cooperation Act, this Government strongly favors the progressively closer integration of the free nations of Western Europe. We believe that the world of today requires the taking of steps which before the war would have seemed beyond the range of practical politics. We favor the taking

by the Europeans themselves of any steps which promote the idea of European unity or which promote the study of practical measures and the taking of such measures."

While avoiding premature endorsement of French or any other specific proposal looking unification of Europe we intend to encourage publicly and privately the progressively closer integration first of free Europe and eventually of as much of Europe as possible. There is danger that unless progress can be made rapidly American efforts to help free Europe get back on its feet will have been wasted. There is also danger that partial recovery will produce complacency and reduce European willingness to take bold measures essential to establish real and continuing prosperity. Annual ECA debates in Congress will bring strong pressure since Congressional willingness to appropriate funds will be materially influenced by extent of progress toward integration. We wish our missions in free Europe to press in all appropriate ways for encouragement of idea of European unity and for formulation and implementation of practicable proposals to bring about its integration. We would naturally welcome bold leadership from any free European quarter.¹

MARSHALL

¹ This telegram went also to the American missions at London, The Hague, Brussels, Luxembourg, Rome, Oslo, Copenhagen, Stockholm, Lisbon and Bern.

857.24/8-2748

Memorandum of Conversation, by the Director of the Office of European Affairs (Hickerson)

TOP SECRET

[WASHINGTON,] August 27, 1948.

Participants: Mr. Eigil Nygaard, Chargé d'Affaires ad interim,
Norwegian Embassy
Mr. Sivert A. Nielsen, Second Secretary, Norwegian
Embassy
Mr. John D. Hickerson, Director of European Affairs
Mr. Benjamin M. Hulley, Chief, NOE

I handed Mr. Nygaard the Department's note of August 27, 1948¹ replying to the Norwegian arms request² and asked him to read it.

¹ This note, not found in Department of State files, itemized the limited quantities of military equipment available for Norway. The contents of the note were conveyed to the Ambassador in Norway in telegram 416, August 27, not printed (857.20/8-2048).

² Reference is to the request made in an *aide-mémoire* from the Norwegian Embassy dated April 16, and to the presentation of its military and financial aspects by Dag Bryn, Norwegian Under Secretary of Defense, and Gunnar Jahn, Director General of the Norges Bank, in their conversation with Lovett in Washington on April 23. (The *aide-mémoire* is not found in the Department of State files; the memorandum of conversation dated April 23, not printed (857.24/4-2348).)

When he and Mr. Nielsen had finished reading it, I said that I was very disappointed that our reply could not offer more than the small quantities listed in the note. I knew the Norwegian Government would be disappointed. My Government was fully aware of the need of assisting governments of other countries which, like Norway, have shown a determination to resist aggression. However, it is simply a fact that the necessary quantities of arms do not now exist. In order to comply with this and other requests from abroad it would be necessary to manufacture arms and for this purpose legislation and appropriations would be required. It is hoped that legislation will be presented to the new Congress early in the session to provide an integrated program of military assistance to other countries. If such legislation is adopted, I confidently expect that arms assistance will be extended to countries which satisfy two requirements: (1) That they have shown their determination to resist aggression, and (2) that they have exhibited a willingness to unite their strength for defense with other like-minded nations. I believe that such assistance will go under a first priority to the nations that satisfy both conditions, and that other nations which satisfy only one of them (I named Sweden as an example) would be accorded a secondary priority after the needs of the higher category had been met.

We had received requests from many nations, one of which is France which regards itself as in a very exposed position and urgently in need of arms, but in no case had we been able to offer any substantial assistance because of our lack of supplies.

I wanted his Government to know that we are keenly and acutely appreciative of the strong stand Norway has taken with respect to self-defense and refusal to compromise with proposals of neutrality. We hope Norway will continue to take this admirable stand.

Mr. Nygaard thanked me for my explanation and said he would like to ask three questions:

1. Would our answer have been the same if Norway were now a participant in Western Union? I said it would have to be, since we are limited by the lack of supplies and legislative authority.

2. Will legislation be introduced in the next session to make it possible to send arms abroad? I said I honestly do not know, but my personal belief is that the Administrative Departments will recommend to the President that legislation on this line be submitted to Congress if he approves. Obviously, the coming election is one of the factors which make it difficult to be more precise now.

3. Will Norway be asked to adhere to Western Union, or should it take the initiative? I said that this was a rather hypothetical question at this stage, since many basic problems first had to be worked out in the development of Western Union. What form adherence by Norway might take or how it should be initiated were questions for the future.

340.00/8-3148

*Memorandum by the Director of the Policy Planning Staff (Kennan)
to the Under Secretary of State (Lovett)*

CONFIDENTIAL

[WASHINGTON,] August 31, 1948.

MR. LOVETT: A disagreement has developed between myself and Mr. Hickerson, concerning the Western Union question, which I am afraid you will have to resolve.

It concerns the question of the scope and nature of the proposed pact.

My own view is that we will be on sound ground only if we call the pact a *North Atlantic* security pact and confine its membership, both full and associate, strictly to the North Atlantic area. My view as to how this should be done is set forth in Annex A.¹ You will see that it provides for two anchors: the U.S.-Canada anchor and the Brussels Pact anchor which would constitute the actual members of the pact. The stepping-stone countries would enter into an association with the full members of the pact whereby the latter would guarantee them against attack, and they in their turn would agree to make available to the members of the pact military facilities on their territories. In addition to this, the members of the pact would issue a statement, at the time the pact was concluded, which would make clear that if any of the other OEEC countries was threatened, this would be regarded as an occasion for consultation by the members of the pact (along the lines of Article VII, paragraph 2, of the Rio Pact).

Hickerson does not find this concept satisfactory because he feels that it leaves out Italy, to say nothing of the other OEEC countries, and that the conclusion of such a pact as I have outlined would be a political blow to the Italians in particular. His proposal is set forth in Annex B.¹ You will see that this differs from my draft in two important respects: first, it calls for the inclusion of Italy as a member of the Brussels treaty; second, it provides that any other OEEC country could enter into an association with the members of the North Atlantic security pact similar to the association which would be established with the stepping-stone countries. In this way provision would be made for the eventual association of all OEEC countries, including Greece and Turkey, with the pact.

Jebb will be in town for the rest of this week, beginning tomorrow. I believe he has come largely in connection with this question, and we can scarcely refuse to discuss it with him. For this reason, I think we should do what we can to clarify our position today.

GEORGE F. KENNAN

¹ Not printed.

840.20/9-248

Memorandum of the Thirteenth Meeting of the Working Group Participating in the Washington Exploratory Talks on Security, September 2, 1948

TOP SECRET

MR. JEBB reported to the group that Mr. Bevin had expressed considerable concern over the emphasis being placed in these Talks on the establishment of machinery for the solution of common economic and cultural problems. In his view, this would not only duplicate much of the machinery now in existence, such as the OEEC, but might inject considerable confusion into the international picture and slow up the present progress of the European nations toward that union which they all believe is so essential. Mr. WRONG pointed out, however, that the present Talks had as their objective the establishment of machinery for the long future, of an organization and agencies which would be operable for a very long time, whereas the OEEC, which had been cited, currently has a statutory limitation set at the year 1952. In this connection, Mr. KENNAN suggested that the provision in the articles of the working group's paper calling for encouragement of economic and cultural cooperation should be permissive in nature rather than concrete in its terms. In this way provision would be made for the possibility of such development without explicitly calling for machinery to achieve it. On the other hand, he believed that some such mention should be made in whatever treaty might be agreed to, since he felt that it would be a mistake, politically and psychologically, to put forward before the world at this time a pact or regional arrangement which proved to be a strictly military alliance.

[Here follows a paragraph concerning the wording and possible rearrangement of various sections of the draft "Outline of Provisions Which Might be Suitable for Inclusion in a North Atlantic Security Arrangement." For final version, see September 9 "Washington Paper," page 237.]

Inviting the group's attention to a paper prepared by the U.S. representatives entitled "Territorial Scope of a North Atlantic Security Arrangement and Its Relationship to the Security of Other Nations",¹ MR. KENNAN discussed the basis for establishing three categories of membership in the projected security arrangement. He pointed out that such nations as Iceland, Portugal and Denmark (Greenland) would be valuable in the regional arrangement primarily because of their geographic position and for the facilities which they might be

¹ This draft, not printed, is in the Department of State files, 840.20/9-248. For final version, see "Washington Paper," p. 237.

able to provide in the event of hostilities. In effect, they would hold membership on an associate basis; their chiefs of staff, for example, would not attend the military conversations which would be necessary in connection with the operation of the treaty. Nations in this category, he suggested, might be considered as "stepping stone" countries. He believed that by establishing these categories the group could arrive at a clearer definition or concept of the security arrangement and would have a sort of "guide rail" to adhere to in the future when the question arose as to the accession of other countries.

MR. JEBB inquired what might be done in the case of Norway, who, on the one hand, might not wish to adhere to the Brussels treaty and yet, on the other, might decline to enter a North Atlantic pact except on the basis of full membership. MR. KENNAN believed that Norway properly belonged in the second category, since its principal role in the event of a war would be to provide certain facilities and bases, adding that the size of its army required its presence in the homeland for defense of its borders.

MR. JEBB suggested that in connection with the countries in the third category stronger language should be devised to provide for the action that would be taken in the event of an attack on one of these states, suggesting some such words as "to consult together to decide what measures would be necessary to restore the situation". MR. KENNAN welcomed this suggestion, stating that an important objective of these Talks was to establish a relationship between the treaty members and those nations outside the fold, pointing out that it is not a mutual assistance pact with these nations that is desired. He also went on to say that the relationship of the nations in the second category would not be of a bilateral nature but would be with the North Atlantic group signatory to the new treaty. In this connection, MR. HICKERSON pointed out that such a relationship, for example, would make it easier for Denmark to offer facilities and bases in Greenland.

Turning to the question of Italy, MR. HICKERSON stated that the U.S. Government preferred that the European nations take the initiative in solving the problem of Italy's relationship to a North Atlantic arrangement. MR. KENNAN said that he could see certain advantages with Italy excluded from the arrangement, in as much as there was a certain danger in incorporating states which lay so close to the Soviet orbit. Moreover, he added, it hardly has any other choice but to remain with the Western Powers; further, it can contribute little in the way of military power. MR. HICKERSON stated that he personally felt that Italy should be brought into the Brussels Union, but, as a demilitarized state, should not be invited to participate in the military staff talks now proceeding in London. To an inquiry by Mr. Hoyer Millar, MR.

HICKERSON said that in effect the United States Government would wish to see some satisfactory solution to this Italian problem before the United States entered a North Atlantic arrangement.

MR. HOYER MILLAR expressed the opinion that the working group had now provided a good outline of the projected pact itself, of the relationship which the United States and Canada will have vis-à-vis the European countries in the pact, but that a more precise definition of the relationship of the Category II countries to the pact and their actual obligations would be required.

840.20/9-348

*Minutes of the Sixth Meeting of the Washington Exploratory Talks
on Security, September 3, 1948, 3 p. m.*

TOP SECRET

MR. LOVETT inquired if the working paper of September 2¹ was considered to be satisfactory for transmittal to the governments as a brief summary of the discussions that had taken place. He felt that the time had come to inform the various governments of the lines of thought which had emerged and that their comments would be needed to make further progress.

MR. WRONG agreed that the time had come when there should be reference back to the governments. Subject to some very minor suggestions he believed something had been arrived at which would provide the governments with a good deal of meat to chew on and which was sufficiently definite and clear-cut to enable them to assess the project and to give guidance for the next stages of the talks. The part of the paper on territorial scope had not been as fully digested as the rest of the paper but might be acceptable as a basis for further progress by the governments. There would still be a good deal of work to do in amending the latter part of the paper, particularly the annex, which was really the heart of the paper.

BARON SILVERCRUYS thought the paper an extremely useful document. He believed the time had come to arrive at some realistic basis and see what the governments were really prepared to do and how far they were prepared to go. He hoped that it would be quickly considered by the governments and instructions given which would permit the whole matter to be further pursued. There was nothing final in the document; it was intended merely to give a picture of what had been very much in the minds of the participants. It also disclosed

¹ This paper, combining the latest revisions of the draft statements developed by the working group, is not clearly identified in the Department of State files. For final version, see September 9 "Washington Paper," p. 237.

the effort made to get together. He was prepared to forward the paper as it stood and to supplement it by giving the background in order that it might be properly assessed.

MR. LOVETT thought it would be desirable if not essential for the governments to have the color supplied to this rather precise and distilled document. He hoped that if it were decided to forward the document the representatives of the various governments would find it possible to give their respective foreign offices a picture of the various phases that had been gone through. If domestic politics were the art of the possible, international politics might be called the art of the almost impossible.

DR. VAN KLEFFENS praised the efforts of the working group. There was inevitably an arbitrary choice as to the time at which the working paper or any paper should be submitted to the governments. That part of the paper which concerned territorial scope had come to his knowledge only in a preliminary form the night before and there had been no opportunity to exchange views on it. Dispatch was desirable because considerable exchanges of views amongst the governments would be necessary. Nevertheless he believed there should be some discussion of the paper on territorial scope. He had no instructions on this point, but had put on paper certain remarks concerning it and would like to have them discussed.

MR. LOVETT agreed that there was no magic in any particular date for disposing of the paper and asked if there were further comments.

M. BONNET agreed that the time had come to send something to the governments but had no objection to another session of discussion. Complete and detailed instructions could not be received until the governments had had a full opportunity to study the document. Of course they had been kept informed during the last month of the development of the work, but these discussions could not go much farther without consultation with the respective governments.

The only point he wished to stress, as he had already done more than once, was that it was well understood that this document was entirely preliminary and that for the French Government there was a link between the work which had been done and was being done here and the work of the Military Commission in London. His government wanted to have, if possible, an agreement on two points at least which must be discussed in London; first, the question of assistance in rearming the Western European armies, and second, an understanding between the Western Powers and the United States on the manner in which an emergency would be met and where it would be met.

MR. LOVETT agreed that M. Bonnet had covered these points repeat-

edly. The present document dealt with a long range program. It was of complete indifference to the U.S. Government whether a long-range or short-range program was discussed. It was his understanding that everything reasonable human beings could do with respect to the short-range problem was being done. The sense of urgency in these discussions came from others, not from the United States. The United States was prepared to discuss either or both, but it would not be possible to go ahead on the long-range problem if it were to be contingent on the short-range one. The short-range problem would have to be met with very cold realism. If the French Government felt that solution of the short-range problem [was a prerequisite?], he was not sure that any useful purpose would be served by continuing to discuss the present document. If it developed that any one or more of the countries felt it was unworkable or if conditions which could not be realistically met were attached, then the United States would have learned a lot in the process, but the common cause would not have been advanced. He would leave it to the representatives of the Brussels Treaty signatories to make the decision since their governments were responsible for these conversations being held.

M. BONNET thought there was at least a slight misunderstanding of his position. Mr. Lovett has made clear that the United States could not accept a solution of the long-range problem except by constitutional processes. Nothing definite could be concluded for several months. He hoped that in the meantime there would have been a full exploration of the short-range problem. It should be possible to go on working on the long-range problem and to try in the meantime to find by mutual agreement a settlement of the intermediate problems which preoccupied his Government. He believed the short-range problem was now being discussed in London with the participation of American representatives. The fact that the two kinds of work had gone on in a parallel way was encouraging. Why not work on both at the same time? The purpose of his remark was to remind Mr. Lovett and his colleagues that he has always insisted on the link, which existed for the French Government, between a satisfactory solution of the short-range problem and a satisfactory solution of the long-range one. The more complete the answer given to the questions France was asking in London, the tighter could be the pact to be concluded. A solution for the short-range problem would make it easier to find a solution for the long-range one.

Mr. LOVETT agreed that there might have been some misunderstanding and that some of the things M. Bonnet had just said contributed toward a meeting of minds. He had assumed that it had been made clear throughout that discussion of the long-range problem had not

in any way interfered with an accelerated solution of the short-range. If that were so he found it hard to understand what obstacle lay in the way of considering the long-range problem.

M. BONNET agreed that there was no obstacle at all.

MR. LOVETT reverted to M. Bonnet's statement that the French Government would have certain conditions with respect to acceptance of a long-range program. All Governments would have certain conditions to make. The United States was making no proposals whatsoever. The working paper was merely a report to the various Governments—he would have to report to his own—on the various factors which had emerged. There was no assurance that any pact at all would result. Certainly there was no commitment by anyone at the table to take any course of action. He thought that with this background there was an understanding between M. Bonnet and himself.

M. BONNET agreed.

SIR OLIVER FRANKS thought it would be difficult to get much further without reporting back to the governments. The conversations in the working party and around the table had gone a long way to develop the general contours, but to go beyond that to definition would require approval and more authority than anyone now had. He saw no objection to a further discussion around the table here but was prepared himself to forward a document very much like that under discussion to get the general response of his Government.

MR. LOVETT asked Mr. Jebb, as one of the architects of the Brussels Treaty, if he would care to comment.

MR. JEBB thought the ideas in the part of the paper on territorial scope would have to be very carefully examined, particularly as to which countries apart from the Brussels Treaty Powers and the United States and Canada would fit into the various categories. He thought this question should be examined by the governments at this stage, perhaps by the Brussels Treaty Powers meeting together. Probably the Foreign Ministers themselves would like to have a general discussion about it because the intimate relations within the Brussels Treaty were matters of delicacy and considerable importance to them. He thought it might be placed on the agenda of the next meeting of the Consultative Council, which was to meet before the middle of October.

MR. LOVETT observed that the redraft of the paper on territorial scope had been presented by the State Department in an attempt to set down, for the purpose of study and discussion, some of the problems which had arisen in the earlier exchanges of views. The suggestion of various types of membership was an attempt to indicate a solution. It was not advanced as a definite proposal but rather as a line of thought, a method. The more proposals of such a tentative

character were made the better. He himself would have certain reservations but nothing of an order of magnitude to make him believe that a solution was impossible.

Italy presented a problem on which he believed the Brussels Pact signatories would want to express a very definite view one way or the other. These were items for study and adjustment if someone could produce a better program. He asked whether the other representatives would prefer to forward the working paper now or discuss it further.

MR. WRONG felt that the October meeting of the Brussels Treaty Consultative Council did impose a sort of time-table in that the paper should be laid before the Governments concerned, particularly those of Brussels Treaty Powers, in time for it to be duly weighed and assessed in the respective foreign offices before the meeting. He suggested that the paper be further discussed and perhaps amended, but that it be forwarded if possible within a week.

DR. VAN KLEFFENS believed the outstanding questions were of a fundamental nature and should be further discussed.

SIR OLIVER FRANKS agreed and favored Mr. Wrong's suggestion.

M. BONNET felt that the paper should be forwarded without any protracted delay.

BARON SILVERCRUYS was prepared to go over the paper again but believed the views of governments should be obtained very shortly.

It was *agreed* that the paper should be further considered by the working party and subsequently by the group as a whole with a view to forwarding it to governments by September 10.

Executive Secretariat Files

*Report by the National Security Council*¹

[Extract]

TOP SECRET
NSC 28/1

[WASHINGTON,] September 3, 1948.

THE POSITION OF THE UNITED STATES WITH RESPECT TO SCANDINAVIA

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CONCLUSIONS

9. It is in the security interests of the United States that Norway, Denmark and Sweden remain free from Soviet domination.

¹ At its 19th meeting on September 2, the Council considered a draft report on this subject (NSC 28, not printed) and adopted it in this revised form. The Conclusions here printed were approved by the President on September 4, 1948.

10. The United States should endeavor by all appropriate measures:

a. To strengthen the present tendency of Norway and Denmark to align themselves with the Western Powers.

b. To make perfectly clear to Sweden our dissatisfaction with its apparent failure to discriminate in its own mind and in its future planning between the West and the Soviet Union; to influence Sweden to abandon this attitude of subjective neutrality and look toward eventual alignment with other Western Powers in such form as may be found collectively acceptable; and at the same time to refrain from forcing Sweden into an attitude which would be unnecessarily provocative toward the Soviet Union.

11. As one means of implementing the policy stated in the preceding paragraph, the United States should explore with the members of Western Union the problem of increasing the security of Norway, Denmark, and, if appropriate, Sweden, through their integration into or association in some form with the Brussels Treaty system or otherwise.

12. The United States should continue to support Norway and Denmark by measures such as the following:

a. Extension of economic aid by means of favorable U.S. foreign trade policies.

b. Providing equipment first to strengthen Norway and Denmark's military posture as a deterrent to Soviet armed aggression, and second to enable the Norwegian and Danish forces to resist actively an actual attack. A small amount of equipment should be furnished promptly as an immediate measure of encouragement to the Norwegian and Danish Governments.* Further provision of equipment should be dependent upon their participation in the Western Union or some similar collective defense arrangement, consistent with over-all availability and with priorities to be established for other Western European nations.

c. Aggressive combatting of Communist propaganda by a vitalized, highly selective and intensified U.S. information program.

13. With respect to Sweden, the United States should follow for the time being a policy of according priority, on the limited amount of available military aid, to those countries and regional groupings envisaged by Senate Resolution 239 of June 11, 1948 (Vandenberg Resolution). Sweden's requirements would be considered only after those of countries which have given indication of intention to cooperate with the U.S. or Brussels Treaty signatories in security arrangements.

*Action on these two matters will be delayed pending the negotiation of matters with respect to Greenland and Spitzbergen. [Footnote in the source text. This footnote was deleted by action recommended in NSC 32/1, "Current Position of the US Respecting Base Negotiations with Denmark and Norway," approved by the President on December 3, 1948, not printed.]

14. It is essential that present U.S. base rights in Greenland be retained and extended as rapidly as politically expedient.

15. United States security interests in the Spitzbergen Archipelago lie in supporting Norway in maintaining her sovereignty over these islands and preventing their military use by a hostile power.

840.20/9-748

Memorandum of the Fourteenth Meeting of the Working Group Participating in the Washington Exploratory Talks on Security, September 7, 1948

TOP SECRET

MR. KENNAN opened the meeting by inviting the attention of the members to a revised draft of the section of the paper entitled "Territorial Scope of North Atlantic Security Arrangement and Its Relationship to the Security of Other Nations".¹ MR. WRONG confessed that he was not clear in his own mind regarding some of the provisions in the paper and inquired whether Italy, for example, by acceding to the Brussels Treaty at some future date, would automatically become a member of the North Atlantic security arrangement. In reply, MR. ACHILLES said that such membership would not be automatically conferred in this manner, but that on the other hand, to use the same example, Italy, by joining the Brussels union would obtain in effect a sort of secondary, contingent guarantee of her integrity, by virtue of certain mutual guarantees existing between the United States and the Brussels Pact countries within the North Atlantic arrangement. MR. HOYER MILLAR thought that Italy rightly belonged among the Category 2 nations for, as in the case of Iceland, it probably would be in position only to offer bases and facilities. MR. BERARD agreed with Mr. Helb² that admission to the Brussels Treaty should not be made a pre-condition for membership in any North Atlantic security arrangement. Continuing, he suggested that the inclusion of the United States and Canada, the Brussels countries, and the so-called "stepping stone" countries, would be the essential minimum for the creation of the pact under discussion; the absence of any of these states would make impossible the formation of the kind of security arrangement which the present Talks contemplated. Once the aforementioned countries had formed this union certain other states, which might be defined as not being "natural members of the North Atlantic community", such as Sweden, Italy, and perhaps Western Germany and Austria, might be

¹ Not printed. For final version, see part II of the September 9 "Washington Paper," p. 240.

² H. A. Helb, Counselor of the Embassy of the Netherlands.

admitted under certain prescribed conditions. In this connection Mr. ACHILLES expressed the opinion that Italy probably would wish to enter the security arrangement as a full member.

Mr. HELB pointed out that in the Annex of the paper mention was made for the first time of a security area, and he suggested that some earlier reference to this subject be inserted in the paper. While in agreement with this statement, Mr. WRONG anticipated that considerable difficulty would be encountered in endeavoring to delineate a security zone.

Mr. HOYER MILLAR thought that the draft paper under discussion did not make clear that nations admitted into the second category of membership would *not* have the individual right to do nothing whatsoever in the event of hostilities; on the contrary, they should be obligated to defend their territory. Mr. KENNAN suggested also that the draft paper when revised should indicate that nations which might later apply for admission to the North Atlantic security arrangement should be permitted to enter on the basis of one of the categories if they were able and willing to meet the prescribed conditions of that category, and if such conditional admission were acceptable to the existing members of the group.

Mr. HENDERSON said that it appeared that two principal revisions should be made in the draft paper, namely, that Brussels Pact membership as a pre-condition to admission to the North Atlantic security arrangement should be eliminated; and, secondly, that provision be made requiring nations in Category 2 to defend themselves to the extent of their abilities. Mr. WRONG believed that paragraph 5 of the Annex in the main paper could also be improved in language. Mr. KENNAN suggested that the reference in the draft paper to certain countries not being permitted to participate in the military planning committees should be redrafted.

857D.00/9-848 : Telegram

The Ambassador in Norway (Bay) to the Secretary of State

SECRET

OSLO, September 8, 1948—9 p. m.

580. Embtel 570, September 7.¹ Pointed out to Foreign Minister that irrespective actual results Stockholm Conference, discussion of

¹ In telegram 570, not printed, Bay reported on an hour's conversation he had with Lange on September 7 in which the Foreign Minister said that his objective at the Stockholm meeting would be to prove to Sweden the impossibility of adhering to its present neutrality policy. Short of that result, Lange said he would hope to find an area of agreement among the powers which would save face for Sweden and preserve sufficient freedom of action under certain conditions for making possible an ultimate alignment with the West (857D.00/9-748).

Sweden's terms for Nordic defense group was essential from Norwegian domestic political standpoint owing to belief in certain quarters that Scandinavian states must find answer among selves to Scandinavian defense problem. If impossible to achieve satisfactory form of association Lange is personally convinced that Norway would have no alternative other than to seek association with Western Powers in some form.

Lange stated his government has received no encouragement from other states to join western union. He has clear impression, however, that signatories Brussels Pact more than ever opposed to enlarging group and inclined to prefer formation Atlantic defense group including Scandinavian states with possible later integration into western union.

As hypothetical question Lange asked me what would be position of Norway in light of Vandenberg resolution if Scandinavian defense discussions resulted in failure and Norway openly expressed willingness to join Western Union or similar group but received no invitation. In other words would mere willingness to become a signatory of Brussels Pact qualify Norway for aid under Vandenberg resolution.

Following hypothetical question also asked by Lange: Assuming Scandinavian states conclude defense pact with rigid neutrality provision, excluding defense alliance with any other foreign power under any foreseeable conditions, would aid implied in Vandenberg resolution be withheld or restricted?

Lange emphasized Norway's positive determination to avoid accepting such terms but felt his position in Foreign Ministers meeting might be fortified should answer suggest restriction of aid under these conditions. Expressed private opinion such absolute neutrality provision might be interpreted as contrary to sense of resolution that "the national security of the US must be advanced by the arrangement".

In general Lange's attitude as heretofore was extremely pro-American. He recognized necessity for both military and economic association with the west and is driving hard against Swedish neutrality while necessarily preserving inter-Scandinavian understanding and goodwill. He expressed appreciation of US determination to extend all possible consideration to Norway and said his government felt greatly encouraged by recent US evidence to this effect.

Repeated to Stockholm and Copenhagen.

BAY

*Editorial Note*THE FIFTEENTH MEETING OF THE WORKING GROUP PARTICIPATING IN
THE WASHINGTON EXPLORATORY TALKS ON SECURITY, SEPTEMBER 9,
1948

The group discussed the wording of the latest draft on "Territorial Scope of a North Atlantic Security Arrangement and its Relationship to the Security of Other Nations." (See final version, page 240.) Particular attention was paid to sections concerning treaty membership, Communist penetration of the governments of treaty members, possible conflict in participation of treaty members in other international agencies responsible for military decisions, and inclusion of Western Germany, Austria and Trieste as countries considered to be OEEC members in the paper's reference to that organization. The memorandum of this meeting is not printed (840.20/9-948).

840.20/9-948

*Memorandum by the Participants in the Washington Security Talks,
July 6 to September 9, Submitted to Their Respective Governments
for Study and Comment*¹

TOP SECRET

[WASHINGTON,] September 9, 1948.

WASHINGTON EXPLORATORY CONVERSATIONS ON SECURITY

This paper has evolved from the exploratory conversations on security problems of common interest which have taken place between the Ambassadors of Belgium (who also represented Luxembourg), Canada, France, the Netherlands and the United Kingdom, the Under Secretary of State for External Affairs of Canada and the Under Secretary of State of the United States of America. It is the result of study and exchanges of views concerning the following agenda:

(1) The situation in Europe as it affects security, including the question of Soviet intentions, the nature of the threat confronting the Western world, and the possible effect upon Soviet policy of action by the participating countries to increase their collective security.

(2) Security measures taken and to be taken in Europe by the Parties to the Brussels Treaty. The importance of this aspect was fully recognized but it was agreed that discussion in the current con-

¹This memorandum is referred to in subsequent meetings and correspondence as "the Washington paper."

versations would be impracticable pending receipt of fuller information concerning the results of the military conversations proceeding concurrently in London.

(3) Security relations of the nations participating in these talks with other Western European countries, with particular reference to the territorial scope of any security arrangement linking Western Europe and North America.

(4) The nature of North American association with such a North Atlantic security arrangement, including the basic criteria and the particular considerations of both the European and the North American countries concerned.

As will be clear this paper represents no firm conclusions. It represents only an agreed statement on the nature of the problems discussed and the steps which might be practicable to meet them.

INTRODUCTION

Developments in the international situation since the end of hostilities make clear the urgent need for further measures which will contribute effectively to peace and security.

The establishment of the O.E.E.C. and the signature of the Brussels Treaty are important achievements which indicate the intent of the peace-loving countries of Europe to work together in their common interest, and additional steps designed to bring about a substantial and permanent degree of cooperation and unity among these countries would materially improve the present position. But the situation demands further measures: those nations having a primary interest in the security of the North Atlantic area should collaborate in the development of a regional or collective defence arrangement for that area. Such action should be taken within the framework of the Charter of the United Nations.

I. THE SITUATION IN EUROPE AS IT AFFECTS SECURITY

1. The war, by weakening the Western European countries and by creating a vacuum in Germany has increased the strength of the Soviet Union relative to the strength of Western Europe. This has resulted in a situation in which the security of this area is immediately threatened and that of North America is seriously affected.

2. Soviet ideology is self-admittedly expansionist. Moreover, according to this ideology and doctrine the peaceful coexistence of the Soviet and non-Soviet worlds is impossible on any permanent basis. The Kremlin leaders aim at the maximum extension of their power and influence. International communism serves them as a powerful instrument for the achievement of this aim.

3. The westward expansion of Soviet power since the defeat of Hitler has rendered the Soviet Union strategically capable at the present time of dominating the continent of Europe by force. Soviet forces are so grouped and organized that they could take the initiative in military action at short notice. The military strength of the Soviet satellite countries of Eastern Europe has been so organized as to make a material contribution to Soviet striking power. These factors support the Kremlin program of intimidation designed to attain the domination of Europe. The Communist International under the new title of the Cominform is again active in the field of indirect aggression.

4. While there is no evidence to suggest that the Soviet Government is planning armed aggression as an act of policy, there is always the danger that, in the tense situation existing at the present time, some incident might occur which would lead to war. War might also come about by a miscalculation of western intentions on the part of the Soviet Government. Alternatively, a sudden decision by the Kremlin leaders to precipitate war might result from fear: (1) that their own personal power was being undermined, or (2) that Soviet strength in relation to that of the western nations was declining, or (3) that these nations had aggressive intentions toward the Soviet Union.

5. Soviet plans have suffered a political setback as a result of the implementation of the European recovery program, the growing determination of the western powers to draw together for their well-being and mutual protection, and recent developments in Europe such as the trend of events in Greece and Tito's breach with the Cominform. There remains, however, a justified sense of insecurity among the peoples of Western Europe. The continued presence of U.S. forces in Western Europe is important since an attack upon them would bring the United States immediately and directly into war. Nevertheless, something more is needed to counteract the fear of the peoples of Western Europe that their countries might be overrun by the Soviet Army before effective help could arrive.

6. The U.S.S.R. under Kremlin dictatorship, utilizing the technique of indirect aggression and the threat of direct aggression, is an implacable enemy of western civilization and the present situation in Europe must be regarded as extremely insecure. The problem is to consider how the countries of Western Europe and those of the North American continent can most effectively join together for mutual aid against this common danger and achieve security. The immediate purpose is, in the first place, to prevent a Soviet attack; in this respect weak measures might only be provocative; firm measures may well prove a deterrent. In the second place, it is to restore confidence among

the peoples of Western Europe. United States and Canadian association in some North Atlantic security arrangement would be a major contribution to this.

II. TERRITORIAL SCOPE OF A NORTH ATLANTIC SECURITY ARRANGEMENT AND ITS RELATIONSHIP TO THE SECURITY OF OTHER NATIONS

1. A North Atlantic security system composed exclusively of the United States, Canada and the present parties to the Brussels Treaty would not be fully effective. On the other hand, even the combined military resources of these nations would be inadequate to warrant their assuming hard and fast commitments for the security of a large number of geographically scattered countries. A line must be drawn somewhere. The problem is to devise an arrangement which would best meet the security needs of the nations here represented without over-extending their military capabilities.

2. To be fully satisfactory, a North Atlantic security system would have to provide not only for the security of the countries mentioned above but also for that of the North Atlantic territories of Denmark (especially Greenland), Norway, Iceland, Portugal (especially the Azores) and Ireland, which, should they fall into enemy hands, would jeopardize the security of both the European and the North American members and seriously impede the flow of reciprocal assistance between them.

3. Furthermore, other free European nations must be taken into account in view of: (1) the effect on the security of the nations participating in these talks should the political or territorial integrity of these other nations be menaced; (2) the necessity for maintaining and strengthening their Western orientation; and (3) the importance of avoiding any Soviet miscalculation to the effect that these nations could be absorbed into the Soviet orbit with impunity.

4. The circumstances and capabilities of the North Atlantic and Western European countries vary widely. Taking these variations into account rather than attempting to fit each nation into a uniform rigid pattern may provide the solution. It is suggested that the concept should include different categories of nations: (1) those whose membership of [*in?*] a North Atlantic Pact would involve maximum commitments for reciprocal assistance (with due regard for the resources of each party), and participation in the development of coordinated military potential; (2) those whose membership in the Pact would only involve limited commitments as, for example, to provide facilities for the common defense in return for commitments by the full members to defend their territories; and (3) other nations, not members of the Pact, a threat to whose political or territorial integrity

would require action by the full members. The division of nations between these categories need not be rigidly fixed but should permit flexibility.

5. Full membership in a North Atlantic security system would involve undertakings for mutual assistance in the event of armed attack upon any party, provision for consultation if the security of any party was otherwise threatened directly or indirectly, and provision for the establishment of agencies to implement the treaty. The original full members would be Canada, the U.S., the parties to the Brussels Treaty and such other members of the North Atlantic community as are ready to undertake the requisite obligations and are acceptable.

6. While it might well be desirable to have Norway, Denmark, Portugal, Iceland, and Ireland as full members, these countries may not now be prepared to accept fully the requisite responsibilities. They should be consulted before conclusion of the Pact and, if they are not then willing to assume such responsibilities, they should be invited to accede to the Pact with limited commitments, the exact nature of which would be determined in negotiation with them. The nature of such commitments might vary as between countries but would be generally such that: (a) the full members would agree to regard an attack on any of these countries as an attack against themselves; (b) these countries would agree to defend their own territories to the limit of their capabilities and to make available such facilities as are within their power, whenever required, in order to provide for the protection of the North Atlantic area.

7. Provision should be made by which the parties may by agreement invite any other state in or bordering upon Western Europe, the maintenance of whose territorial or political integrity is of direct concern to the security of the parties, to accede to the treaty on conditions to be agreed between them and the state so invited. These new participating countries might enter the pact either as full members, or with limited commitments as indicated above, or under such special arrangements as might be necessary owing to their geographical position or to their international obligations (Sweden, Italy).

8. The case of Italy presents a particular problem. It is not a North Atlantic country and it is subject to the military limitations imposed by the Peace Treaty. On the other hand its territory is of strategic importance to the nations here represented and its Western orientation must be maintained and strengthened. The United States representatives felt that a satisfactory solution of the problem of Italy must be found, either within the formula referred to in the preceding paragraph or otherwise.

9. The original full parties to the North Atlantic Pact would

issue a joint statement at the time of its conclusion to the effect that any threat of aggression, direct or indirect, against any other OEEC country (including Western Germany, Austria, and Trieste) would be regarded by them as a development calling for consultation with the object of taking any measures which may be necessary.

10. It was recognized that the ultimate relationship of Spain and Western Germany (if Germany remains divided) to a North Atlantic security arrangement must eventually be determined but that it would be premature to attempt to do so at this time.

III. NATURE OF A POSSIBLE NORTH ATLANTIC SECURITY ARRANGEMENT

Any North Atlantic security arrangement should be clearly and specifically defined, since the respective governments and peoples must know exactly what the arrangement is and what advantages and obligations are involved. The obligations and commitments of each party should of course be undertaken by constitutional process. With the exceptions noted in the preceding section, the security arrangements should be generally reciprocal in nature. The preference expressed in the U.S. Senate on June 11, 1948 that U.S. association with any such arrangements be effected by treaty has been noted, as well as the Canadian position in regard to such an association stated by the Prime Minister of Canada in the House of Commons on March 17, 1948.

2. The presence of U.S. troops in Germany not only entails U.S. participation in the security problems of Europe but also would in most contingencies, as long as they remain, involve the U.S. in any hostilities were they to break out there. The problem is, however, to recommend a long-term arrangement binding the parties to meet aggression jointly from whatever quarter and at whatever time. If the arrangement is to fill this requirement and those outlined above and to contribute to the restoration of confidence among the peoples of Western Europe, it would not be possible to base it on the presence of U.S. troops in Germany.

3. No alternative to a treaty appears to meet the essential requirements.

4. Consideration has been given to the question of whether or not conclusion of such a treaty might be considered provocative by the Soviet Government. Any arrangement linking the defense of Western Europe with that of the U.S. and Canada would reduce the chances of successful Soviet expansionist moves and would therefore encounter Soviet opposition as bitter as that which the European recovery program has encountered. Half measures might prove both ineffectual and provocative, whereas unmistakably clear determination to resist should serve to deter, and minimize the risk of, armed aggression. Soviet criticism could be offset by fitting the arrangement squarely

into the framework of the United Nations and by providing not merely for defense but also for the advancement of the common interests of the parties and the strengthening of the economic, social and cultural ties which bind them.

5. Furthermore the existence of a treaty containing unmistakably clear provisions binding the parties to come to each other's defense in case of attack would hearten the peoples and leaders of the countries concerned. It would assist them to surmount the difficulties still besetting them, particularly in Western Europe where confidence is essential to full economic recovery.

6. Inasmuch as the conclusion of such a treaty might increase the existing tension with the Soviet Government, the Western European countries are the more anxious that the assistance given to an attacked country should be immediate, and military as well as economic and political. It also seems necessary that, within the limits of sound military practice, the military and other measures to be taken immediately by each participating country should be planned and decided beforehand by the agencies established for effective implementation of the treaty. It was appreciated that some of these military matters were being studied in London at the present time and that the military meetings there might be considered as indicative of the sort of consultation which might take place under the treaty, in the military and other fields.

7. Consideration was also given to the effect of the conclusion of such a treaty upon the security of other free European nations which may not become parties. It must be made clear that its conclusion in no way implies any lack of interest on the part of the parties in the security of such countries. This difficulty could to some extent be met by providing in the treaty for consultation in the event the security of any of the parties is threatened by armed attack upon a non-signatory or by any other fact or situation.

8. The foregoing considerations have led to agreement upon the following basic criteria for such an arrangement:

(1) It should be within the framework of the United Nations Charter, demonstrate the determination of the parties fully to meet their obligations under the Charter and encourage the progressive development of regional or collective defense arrangements.

(2) It should contribute, through increasing the individual and collective capacities of the parties for self-defense, to the maintenance of peace and the greater national security of the parties.

(3) It should make unmistakably clear the determination of the respective peoples jointly to resist aggression from any quarter.

(4) It should define the area within which aggression against any party would bring the provisions for mutual assistance into operation.

(5) It should be based on and promote continuous and effective self-help and mutual aid in all fields.

(6) It should be more than an arrangement for defense alone; it should serve both to preserve the common civilization and to promote its development by increasing the collaboration between the signatories and advancing the conditions of stability and well-being upon which peace depends.

(7) It should provide adequate machinery for implementing its terms, in particular for organized coordination and strengthening of the defense capacities of the parties, beginning immediately it comes into force.

9. In addition, the representatives of the European countries emphasized that it was particularly desirable that the arrangement should provide for the speediest practicable measures of material assistance in case of an armed attack, including individual military assistance by each of the members accepting full commitments as soon as such an attack is launched against any of them.

10. The U.S. representatives emphasized that U.S. association with any security arrangement must be within the framework of the Resolution adopted by the U.S. Senate on June 11, 1948 (S. Res. 239, 80th Congress, 2nd session). Of the four conditions specified by that Resolution three are covered by the basic criteria cited above: (1) that the arrangements must be within the framework of the Charter, (2) that U.S. association with it must be by constitutional process, and (3) that the arrangement must be based upon continuous and effective self-help and mutual aid. It was made clear that the third condition meant that U.S. assistance must supplement rather than take the place of the maximum efforts of the other nations on behalf of themselves and each other, and that assistance must be reciprocal. The fourth condition was that the arrangement should affect (i.e. increase) the national security of the U.S. In this connection the U.S. representatives made clear their belief that a North Atlantic security arrangement, if it is to increase adequately the security of North America and provide the Western European countries with adequate assurance that North American ground and air forces and supplies could effectively be brought to their assistance in time of war, should include the North Atlantic territories of Denmark (Greenland), Iceland, Ireland, Norway and Portugal (the Azores).

11. The United States representatives also considered that some of the articles of the Rio Treaty, which had been approved by the U.S. Senate, provided a useful basis for the formulation of an arrangement which would meet the requirements. At the same time they fully recognized the relevance of provisions of the Brussels Treaty. They considered certain articles of the Rio Treaty, notably those concerning voting procedure, unsuited to an arrangement for the North Atlantic area.

12. The United States representatives emphasized that the United States could not constitutionally enter into any treaty which would provide that the United States would be at war without a vote of Congress. All representatives stressed that their respective constitutional processes must be observed and agreed that, as in any similar treaty, the question of fact as to whether or not an armed attack had occurred would be a matter for individual determination.

13. The Canadian representatives emphasized the importance which they attached to provisions, in any treaty which might be concluded, for the encouragement of cooperation in fields other than security. Such cooperation would contribute directly to general security. In other words, they felt that the purpose of a treaty should not be merely negative and that it should create the dynamic counter-attraction of a free, prosperous and progressive society as opposed to the society of the Communist world. The treaty should provide a basis for the organization of an overwhelming preponderance of moral, economic and military force and a sufficient degree of unity to assure that this preponderance of force may be so used as to guarantee that the free nations will not be defeated one by one.

14. The conclusion of an arrangement of this general character appears practicable. There is attached an outline of provisions which it might include.

Annex

OUTLINE OF PROVISIONS WHICH MIGHT BE SUITABLE FOR INCLUSION IN A NORTH ATLANTIC SECURITY PACT

PREAMBLE

The preamble would combine some of the features of the preambles to the Charter, the Rio and the Brussels Treaties. In it the parties would express:

(1) The belief that, until security under the United Nations is assured on a universal basis, the security of free nations can best be strengthened by the progressive development of arrangements for collective self-defense as provided for in Article 51 of the Charter (Vandenberg Resolution);

(2) Recognition of their common traditions of democracy, personal freedom and political liberty (Rio Pars. 6 and 7; Brussels Pars. 1 and 2; Charter, Par. 2), their common interests, and the economic, social and cultural ties which bind them (Brussels, Par. 3);

(3) Determination to co-operate in fortifying and preserving this common heritage and, by uniting in continuous and effective self-help and mutual aid, (1) to maintain international peace and security (Rio,

Par. 8; Brussels, Pars. 5 and 8; Charter, Par. 6; Vandenberg Resolution), and (2) to provide for effective reciprocal assistance to repel armed attack against any of them and to meet any act of aggression or threat to their political independence or territorial integrity (Rio, Par. 8; Brussels, Pars. 5 and 8);

(4) Resolution to combine their efforts in a North Atlantic organization designed effectively to accomplish these aims in accordance with the purposes and principles of the Charter (Rio, Par. 3 and Par. 8; Brussels, Par. 5 and Par. 8).

ARTICLES

1. An undertaking not to resort to the threat or use of force in any manner inconsistent with the purposes and principles of the Charter or of this Treaty, (Rio, Art. 1).

2. An undertaking to submit every controversy which may arise among the Parties to methods of peaceful settlement (Rio, Art. 2; Brussels, Art. VIII).

(*Note:* Articles 1 and 2 might be omitted and replaced by reaffirmation in the preamble of the obligation in the Charter to settle all disputes by peaceful means. These articles would, however, provide a substantive obligation for parties not now members of the United Nations (Portugal and Ireland). Their inclusion, by providing Charter limitations upon the conduct of the parties, would be of assistance in countering charges that the treaty was directed solely against the Soviet Union.)

3. Provision for the encouragement of efforts between any or all of the parties to promote the general welfare through collaboration in the economic, social and cultural fields (Brussels, Arts. 1, 2 and 3; Charter, Art. 55).

(*Note:* This provision, if included, should be qualified by a statement similar to that in Brussels Article 1 to the effect that the co-operation envisaged "shall not involve any duplication of, or prejudice to, the work of other (economic) organizations in which the Parties are or may be represented but shall on the contrary assist the work of these organizations." Its inclusion would give substance to the concept of a positive rather than purely negative treaty.)

4. Provision for individual and collective effort, on the basis of continuous and effective self-help and mutual aid, to strengthen the individual and collective capacity of the parties to resist aggression (Vandenberg Resolution).

(*Note:* This would provide the basis for the reciprocal extension of material assistance, in advance of any armed attack or threat to

the peace, and for coordinating arrangements for production and strategy.)

5. Provision for mutual assistance in meeting an armed attack in the exercise of the inherent right of individual or collective self-defense recognized by Article 51 of the Charter. (Rio, Article 3(1); Brussels, Article IV).

(*Note:* With respect to the commitments of full members:

A. The United States representatives, feeling that approval of any treaty by their Senate would be greatly facilitated if the Rio text were adhered to as closely as possible, suggested that this provision should be on the following lines:

An armed attack by any State against a Party shall be considered as an attack against all the Parties and, consequently, each Party undertakes to assist in meeting the attack in the exercise of the inherent right of individual or collective self-defense recognized by Article 51 of the Charter.

B. The European representatives felt that their Governments would wish to see the provision conform as closely as possible to the corresponding article in the Brussels Treaty, and that it should therefore be drafted on the following lines:

If any Party should be the object of an armed attack in the area covered by the Treaty, the other Parties will, in accordance with the provisions of Article 51 of the Charter, afford the Party so attacked all the military and other aid and assistance in their power.

The following was suggested as a possible basis for compromise:

C. Provision that each Party should agree that any act which, in its opinion, constituted an armed attack against any other Party in the area covered by the treaty be considered an attack against itself, and should consequently, in accordance with its constitutional processes, assist in repelling the attack by all military, economic and other means in its power in the exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter.

The Canadian representative thought that the Canadian Government would prefer a provision along these lines.)

6. Provision for immediate consultation in the event of armed attack with a view to reaching agreement upon collective measures and, pending agreement upon collective measures, provision for the taking of such immediate measures as are within the power of each Party in fulfillment of the obligation contained in the preceding article and in accordance with the principle of mutual solidarity (Rio, Art. 3, Par. 2; Brussels, Art. IV).

(*Note:* The United States representatives believed that this provision should also be patterned on the Rio text and suggested that it should be on the following lines:

Each Party, pending agreement upon collective measures, will determine the immediate measures which it will individually take in fulfillment of the obligation contained in the preceding paragraph and in accordance with the principle of mutual solidarity. Immediate consultation shall take place with a view to reaching agreement upon collective measures.)

7. Delineation of the area within which an armed attack will bring articles 5 and 6 into operation. (Rio, Art. 3; Par. 3 and Art. 4; Brussels, Art. IV).

8. Provision to the effect that measures of self-defense taken under articles 5 and 6 may be taken until the Security Council has taken the measures necessary to maintain international peace and security. (Rio, Art. 3, Par. 4; Brussels, Art. V).

9. Provision to the effect that the Parties will immediately advise the Security Council fully concerning measures taken under articles 5 and 6. (Rio, Art. 5; Brussels, Art. V).

10. Provision for consultation (a) in the event of a threat to the integrity of the territory or the sovereignty or the political independence of a Party, (b) in the event of an armed attack against a Party outside the area delineated in article 7, (c) if the security of any Party should be affected by an armed attack against a nation not a party to the Treaty, or (d) in the event of any other fact or situation which might constitute a threat to the peace. (Rio, Art. 6; Brussels, Art. VII, Par. 2).

11. A statement that none of the provisions of the Treaty shall be construed as impairing the rights and obligations of the Parties under the Charter. (Rio, Art. 10; Brussels, Art. V).

12. Provision for establishment of agencies necessary for the effective implementation of the Treaty, including in particular Articles 4, 5 and 6, such agencies to be so organized as to be able to exercise their functions continuously. (Rio, Arts. 11 and 21; Brussels, Art. VIII). Provision that any two or more Parties might establish or maintain special machinery between themselves to facilitate the execution of the agreement.

13. Provisions covering accession, ratification and duration. (Rio, Arts. 22-25; Brussels, Arts. IX and X).

(*Note:* The question of including a provision for disqualification under certain circumstances of any of the signatories from enjoying the benefits of the Treaty requires further consideration.)

840.20/9-1048

*Minutes of the Seventh Meeting of the Washington Exploratory
Talks on Security, September 10, 1948, 4 p. m.*

TOP SECRET

In opening the meeting, Mr. LOVETT referred to the paper which the working group had prepared and inquired whether the document reflected the sense of the last meeting. Mr. WRONG said that he was satisfied with the paper as it was now written, adding that it appeared to be a flexible document and that he was anxious to commend it to the study of his government. BARON SILVERCRUYS, Dr. VAN KLEFFENS, M. BONNET and SIR OLIVER FRANKS agreed with Mr. Wrong's statement.

Mr. LOVETT paid a tribute to the working team for drafting the document under discussion. He went on to say that his interpretation of the feeling of those present was that the paper in its present form would be despatched to the governments concerned in accordance with the usual security arrangements.

Mr. WRONG said that he proposed, in commending consideration of the project to the Canadian Government, to express his firm conviction that if a pact along the lines of that currently under discussion had existed in the later 1930's, there would have been no war in 1939, and that a similar pact probably would have prevented the outbreak of the war that began in 1914. Consideration of what horrors the world might have avoided, he believed, sharply underlined the enormous significance of what this present group was attempting to achieve. If a pact of this nature would have deterred Hitler, he continued, it would certainly be likely to have a strongly deterrent effect on the leaders of Russia; Hitler was a fanatic with a mission, unable to bide his time, but the Marxists were under no such dictates of urgency, since their very ideology required them to refrain at a given time from taking any action which might prejudice the eventual overthrow of capitalism. He therefore hoped that the governments represented at the table would eagerly pursue the project outlined in the paper, despite the other manifold preoccupations which required immediate attention. Some of these preoccupations, in fact, would be more easily dealt with once the framework of a North Atlantic system had been created. Mr. WRONG believed that one of the greatest advantages which the creation of such a system would bring would be the attainment of certainty, and particularly of continuing certainty about the long-term position of the United States as a partner in a North Atlantic security system; in his judgment this alone far out-

weighed whatever new risks might conceivably arise from the conclusion of the pact.

BARON SILVERCRUYS agreed with Mr. Wrong's statement and asked that a full record of it be included in the minutes.

DR. VAN KLEFFENS said that the delineation of the area within which an armed attack would bring the pact into operation was dealt with rather perfunctorily in the paper. The subject, he suggested, might be further elaborated in a covering note or letter of transmittal which would accompany the document itself. This proposal was agreed to.

M. BONNET believed that the document as it now stood would give the governments a complete picture, so that in his opinion nothing further could be gained by discussion of the paper at this time. Since the opinions of the governments were now urgently required, he suggested that the document be sent to them without delay.

MR. LOVETT mentioned the deep sense of unity which he had felt in this entire enterprise. The representatives had, he thought, attempted to promote peace and to create some assurance that life would be worth living in the future. He was prepared to hope for the best. He went on to say that he hoped that other representatives had found the preparation of this paper as stimulating and as illuminating as he had, and that he believed much might be accomplished in the future if many of the current problems could be approached in the same spirit. He thanked all the members present and members of the working group for the energetic and competent manner in which they had undertaken and performed their task. Assuming that the various governments would require a period of time to give consideration to this paper, MR. LOVETT suggested that the representatives participating in these conversations consider themselves adjourned but subject to call to resume when the advice and comments from the governments were received.

BARON SILVERCRUYS paid tribute to the admirable manner in which Mr. Lovett had conducted these discussions and wished to convey the gratitude of the other representatives for the help that he had given them all. In conclusion, MR. LOVETT thanked all the representatives present.

S57D.20/9-1148 : Telegram

The Ambassador in Sweden (Matthews) to the Secretary of State

[Extract]

SECRET

STOCKHOLM, September 11, 1948—2 p. m.

1042. The following impressions from the Scandinavian Ministers conference discussions of military cooperation were given in confidence

by a member of Norwegian delegation who participated. Norwegian delegation came here with relatively modest hopes of moving Swedes off dead center of insistence on "neutrality" as precondition for organization Scandinavian military cooperation and without real hope at this time of moving Swedes into alignment with west. This limited objective proved surprisingly easy of accomplishment and there was little difficulty in reaching agreement on creation of experts investigating committee almost free of strings. Norway generally satisfied with results in view earlier Swedish stand and imminent Swedish elections. Danes gave Norway good support and showed signs of having come long way themselves since May Stockholm discussions. This attributable to clearer realization of Denmark's exposed position and need for western protection.

Experts to be appointed by three governments to investigate possibilities for military cooperation will, as proposed by Norway, probably consist of three representatives of each country, only one of three from military and one from Foreign Office. Gunnent [*Gunneng?*] is expected to represent Norwegian Foreign Office. Experts will have free rein to develop proposals on terms of a Scandinavian military alliance including practical details of staff cooperation, standardization of materiel, etc. with understanding that neither "neutrality" nor ties with west are to be discussed. On the whole Norwegian delegates feel Swedes have moved some distance from their earlier inflexible position and Norwegians hope that with more positive Danish support in combination with other factors within and outside Sweden the Swedes may be persuaded to take a few more steps although it is realized that they have a long way to go in their thinking. From the Norwegian standpoint therefore the conference may be said to have avoided an open Scandinavian rift and to have held open the possibility that positive accomplishments may later be achieved.

Sent Department 1042; repeated Oslo 50, Copenhagen 56, Reykjavik 9, Paris 263, London 216.

MATTHEWS

757D.00/9-1448: Telegram

The Ambassador in Denmark (Marvel) to the Secretary of State

SECRET

COPENHAGEN, September 14, 1948—3 p. m.

861. Foreign Minister told me last evening he was reasonably satisfied with accomplishments recent Scandinavian Foreign Ministers' conference. Other than discussion of GA matters main accomplishment was agreement to study defense problem. This agreement reached with no conditions on Norway and Denmark to adhere to Swedish neu-

trality viewpoint. Two or three experts from military and Foreign Offices of each of three governments will investigate following:

1. Whether defense problem should be solved by military cooperation on service level only. Rasmussen explained this to me as meaning no obligations in form of treaty requiring any of three countries to declare war in event one were attacked.

2. Whether military treaty involving mutual obligations to declare war against any aggressor of any of three countries.

Report of this commission will be made to various governments on or before February 1, 1949. Rasmussen further told me he had insisted on February 1 deadline for reason that if satisfactory Nordic defense arrangement was not reached he was hopeful by that time US Congress would be considering legislation designed to aid militarily western European nations and of which Denmark could take advantage.

Rasmussen did not know who would succeed Unden as Swedish Foreign Minister but stated Swedes had given him impression they hoped for unilateral military guarantee from US which if forthcoming would insure adherence three northern countries to western bloc.¹

Sent Department 861; repeated Stockholm 79, Oslo 50.

MARVEL

¹ Ambassador Matthews, in his telegram 1065 of September 17 from Stockholm, commented on this last sentence as follows: "Rasmussen is probably right in saying Swedes hope for unilateral military guarantee from US. If it is forthcoming, however, it is the one way to make sure Sweden at least would not adhere to western bloc To give any such 'guarantee' even in the most tenuous form would be contrary to all we are working for here" (858.20/9-1748).

840.00/9-1548: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, September 15, 1948—2 p. m.

3694. Reurtel 2222, August 27, 7 p. m.¹ I had a conversation with Prime Minister this morning in which I discussed with him attitude of Italy toward closer integration of Italy with other Western European states. He said that in first place there was no question whatever of neutrality of Italy in present circumstances. There was no choice as far as this country was concerned between East and West. They were already in western group as clearly shown by elections and as far as this present government is concerned, including all its elements, they were entirely with Western states from point of ideology and common objectives of independence and individual liberty.

Mr. De Gasperi said problem for government there was to educate people to necessities of engaging their future with Western powers as there was a very strong effort being made by Communists and filo-Communists elements to combat such a policy. Government has plans

¹ Not printed.

for educational work necessary and has already started organizing necessary educational and informational operations.

Prime Minister gave as his own personal opinion in circumstances that best approach from point of view of integration of Italy with Western group was through Paris OEEC organization and he hoped that we would give some thought with regard to development and broadening of that organization from a purely economic to a political and defensive group.

DUNN

S40.20/9-2048 : Telegram

The Under Secretary of State (Lovett) to the Embassy in France

TOP SECRET US URGENT WASHINGTON, September 20, 1948—noon.

3727. For Ambassador. As you know French have for months been pleading with us for immediate assistance in rearming French forces. Through Vandenberg Resolution, military talks in London and exploratory political talks here we have been laying basis for long range assistance but French have insistently asked immediate help. We have explained patiently that equipment necessary for any large scale assistance in rearming French forces does not exist, that it must be produced and cannot be produced until arrangements for payment are made which in turn involve, in absence of French ability to pay dols, legislation and appropriations from US Treasury. Nevertheless we have made every effort to find some means of assisting French forces from our own very limited availabilities. President has now approved transfer from US stocks in Germany to French forces of equipment adequate substantially to reequip three French divisions now in Germany. Steps to implement this authorization are now being taken on military level.

You may inform FonMin foregoing on top secret basis.

LOVETT

711.58/9-2148

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Acting Secretary of State*

TOP SECRET [WASHINGTON,] September 21, 1948.

Problem:

To coordinate US and British policies toward Sweden.

Discussion:

A National Security Council study on Scandinavia dated September 3, 1948 states with respect to Sweden :

[Here follow conclusions 10 and 13 of NSC 28/1, page 232.]

Our policy cannot be effective without the assistance of Great Britain. Orders have recently been accepted by the British aviation industry to manufacture Spitfires and Vampires for Sweden.

The views of Ambassador Matthews are set forth in the attached cables 1041, September 10, 1948¹ and 1064, September 17, 1948.¹ Details of the Vampire contract are found in the attached cable 4145 of September 16, 1948 from London,¹ and the British viewpoint on orders of this kind is set forth in London's airgram 1683, September 1, 1948, attached.¹

The Department of the Air Force has been asked to make strongest representations on this subject to the British RAF officials in Washington.

Recommendation:

It is recommended that you talk with the British Ambassador along the lines of the attached *aide-mémoire*² and that you hand a copy of it to him; also that a copy of the *aide-mémoire* be cabled to General Kibler³ in London for use in the Western Union defense discussions there.⁴

¹ Not printed.

² *Aide-mémoire* dated September 24, not printed. For summary of British reply, see telegram 716 to Stockholm, October 2, 1948, p. 259.

³ American observer on military committee of five Brussels powers.

⁴ At this point, Hickerson added in his own handwriting the following: "The language of this *aide-mémoire* is restrained, in accordance with diplomatic practice. If you concur, I hope you will 'soup' this up in the oral presentation to Franks. If you will, I will be present and help in this. I feel strongly that their policy doesn't make any real sense. Why the hell should we spend money to rearm the Brussels Pact countries when they are selling jets to neutrals? JDH."

840.00/9-2248 : Airgram

The Acting Secretary of State to the Embassy in Norway

TOP SECRET

WASHINGTON, September 22, 1948.

A-175. For Ambassador's eyes only. In response to their repeated requests for information as to the course of the exploratory conversations on security which we have been holding with the representatives of the Canadian, British, French, Belgian and Netherlands Governments we are giving Norwegian and Danish Ambassadors here substantially the following.

During the past year a number of governments in Western Europe have urgently and repeatedly requested U.S. assistance in strengthening their capacity to resist aggression. We have made clear that we would be glad to do what we could, provided such countries showed determination to resist aggression and made every possible effort to

increase their own strength through the development of regional or other collective arrangements for collective self-defense. We have always insisted that our assistance must supplement, not replace, their own best collective efforts to strengthen themselves and each other.

The Brussels Treaty was concluded with our approval as a step in this direction. Having concluded it, the parties appealed to us to give concrete effect to our approval. The Vandenberg Resolution provides both the framework for and bipartisan support of such assistance. Following its passage, we agreed to the insistent requests of the Parties to the Brussels Treaty for exploratory talks as to how U.S. "association" with them was to be given effect.

These talks have now led to agreement upon and transmission to the respective governments of a paper which expressly states it represents no firm conclusions but only an agreed statement nature of the problems discussed and the steps which might be practicable to meet them. It envisages conclusion of a North Atlantic Security Pact within the framework of the United Nations Charter, based on continuous and effective self-help and mutual aid, substantially similar to the Rio Treaty (although the Brussels Treaty countries would prefer the tighter Brussels formula), and designed to fortify and preserve the common western heritage of the parties. It should contribute to the maintenance of peace and the greater national security of parties through increasing their individual and collective capacity for self-defense and demonstrating their determination fully to meet their obligations under the Charter. It would provide for agencies to implement the treaty.

It recognizes that, to be fully effective the pact must provide not only for the security of the countries participating in these talks but also for that of other countries, including Norway and Denmark, and that the effect on the security of other free European nations must also be considered. It contemplates that other countries in the North Atlantic area should be consulted prior to drafting the pact to ascertain whether they are prepared to accept the responsibilities requisite for membership.

While consultations with the Norwegians and other governments cannot be undertaken pending decision by Canadian and Brussels Treaty governments on that paper we feel Norwegian and Danish governments should be advised promptly on Top Secret basis of the trend the talks has developed. The British agree and while they feel unable to do likewise, pending discussion with the other Brussels Treaty powers, they are telling Norwegians and Danes in London that we are advising them of the trend to date.

Foregoing answers Lange's first question (Embtel 580, Sept. 8) if

the Norwegians are prepared to join. The answer to the second would depend on the nature of the Scandinavian pact but any rigid neutrality provision would appear incompatible with the intent of the Vandenberg Resolution and might well disqualify signatories from getting U.S. aid, at least until the requirements of members of collective arrangements such as that contemplated for the North Atlantic area had been met.

We will telegraph you when this has been communicated to Norwegians and Danes here,¹ in order that you may discuss it with Foreign Ministers. In any such discussion the top secret character of the matter should be stressed.

LOVETT

¹ Hickerson communicated the above information to the Norwegian Chargé and the Danish Ambassador on September 23 in separate conversations. The memoranda of conversations, not printed (840.20/9-2348).

857D.20/9-3048 : Telegram

The Secretary of State to the Acting Secretary of State

TOP SECRET US URGENT PARIS, September 30, 1948—9:30 p. m.

5130. For Lovett and Hickerson from the Secretary. Foreign Minister Lange Norway called last evening and brought up Hickerson's suggestion to Norwegian Chargé Washington that discussions be held regarding subject regional defense arrangements.¹ I was impressed by the frankness and sincerity of his presentation.

Lange stated unequivocally Norway desired have such discussions but faced difficult problem of timing. They have just agreed hold discussions with Swedes and Danes regarding Scandinavian defense. For following reasons Lange feels important these discussions take place before talks with us:

(1) Sweden is only military factor in Scandinavia. In elaborating this point, said Swedes might be able develop trained ground forces of 600,000, their navy in Baltic only slightly weaker than Soviets, although air force small it is only air strength in Scandinavia, and Swedish industrial potential. He stressed vulnerability of Denmark and short distance narrow waters separating Danes from Russians at Lübeck. He stressed long borders of Norway, sparse population, and general military weakness. He is fully conscious of importance to West of southern Norwegian coast.

Lange reasons from above background Norway alone too weak

¹ The suggestion referred to here presumably stems from Hickerson's conversation with Nygaard on September 23 when he summarized the September 9 paper, stating at one point that "It contemplates that other countries in the North Atlantic area should be consulted prior to drafting the pact . . ." See airgram A-175, *supra*, particularly the fifth and last paragraphs, including footnote.

military way to contribute anything except brief delaying action, but if Sweden could be brought in something more substantial might be created. Lange is convinced, however, Scandinavian arrangement itself insufficient and must be tied to a broader regional arrangement. He questions advantage to Norway of tie with present Brussels group and, at least by implication, seems to favor the North Atlantic regional concept. Norway, therefore, in Scandinavian talks wishes to convince Swedes of advantages outside tie. He is under no illusion this will be easy matter, but feels must try for reasons just set forth, and

(2) Because of public opinion in the Labor Party and elsewhere in Norway which might not be prepared accept what would amount to break of traditional ties with Sweden until every avenue of cooperation painstakingly explored. Norway has insisted on termination date for these discussions, which he once stated end of January, and later as end of February.

Lange also raised Department's injunction not inform Swedes our approach. He does not know whether or not it would be wise to do so, but visualizes possibility it might be useful some stage Scandinavian discussions.

Lange put two questions to me :

(a) Would it be possible, considering broad world-wide situation, to defer talks with us until completion Scandinavian talks?

(b) Would we be willing grant him discretion on question informing Swedes our approach?

I replied I would like to think over both questions. Please telegraph me promptly recommendations as to replies I should make with summary reasons therefor.

Repeated to Oslo as 17.

Signed Marshall.

CAFFERY

840.00/9-3048

*Memorandum of Conversation, by the Chief of the Division of
Western European Affairs (Achilles)*

TOP SECRET

[WASHINGTON,] September 30, 1948.

Participants: Mr. J. N. Henderson, British Embassy
T. C. Achilles, WE

Mr. Henderson called to advise us of the steps contemplated by the British Government in connection with the paper of September 9 prepared in the exploratory talks here. It is to be considered, and presumably approved, for the British Government by the Defense Com-

mittee on October 8. The Defense Committee consists of the Prime Minister, the Foreign Secretary, the Minister of Defense and the Chiefs of Staff. For security reasons it will not be presented to the Cabinet. At British initiative the paper will then be presented to the Permanent Commission of the Brussels Treaty on October 12 and the Consultative Council (the five Foreign Ministers) at their next meeting on October 26. After approval by the British Government, the British will be in a position to take soundings with the Scandinavians, et cetera, without waiting for consideration by the Consultative Council. Mr. Henderson asked if we thought this timetable too slow.

I expressed the personal opinion that it was not since there was little further that we could do before November.

857D.20/9-3048: Telegram

The Acting Secretary of State to the Secretary of State, at Paris

TOP SECRET

WASHINGTON, October 1, 1948—5 p. m.

Telmar 29. Urtel 5130, Sep 30. For the Secretary. Memos our talks with Nor and Den Embs airmailed you and should have reached you by now. We emphasized purpose was bring their Govts up to date on trend of developments in our talks with Brussels Treaty Govts in view Nor and Den previous interest and so they could think about matter, but no other action desired of them now. We do not contemplate further discussions soon in sense Lange seems to expect.

Suggest following as basis your replies Lange's questions:

(a) We will not know about future time table until we have comments of Brussels Treaty countries probably late Oct. It is all right for Nor and Den to continue Scand talks but Brit and we will certainly wish to talk further with them before Feb. If Atlantic arrangement is to be consummated, treaty should be presented early as possible in Session as basis for legislation and appropriations for military assistance. Provided it contained no impediment to Nor and Dan cooperation with West for defense, Scand defense arrangement would be asset and valuable supplement to Nor and Dan participation in Atlantic arrangement. We would welcome eventual Swed participation in latter if and when Swed prepared participate.

(b) We told Nor on Sep 28 we could not offer advice on question informing Swed of our conversations.¹ It would seem preferable to delay doing so for present. Only Brit and Can yet know we have told Nor and Den anything. More appropriate time would be after Brussels

¹ The discussion of this matter by Hickerson and Ambassador Morgenstierne was covered in a memorandum of conversation by Hickerson dated September 29, not printed (840.00/9-2948).

Treaty countries have jointly considered Atlantic arrangement when presumably we can discuss it more fully and freely.

LOVETT

858.248/9-3048 : Telegram

The Acting Secretary of State to the Embassy in Sweden

TOP SECRET

WASHINGTON, October 2, 1948—3 p. m.

716. Brit reply ¹ to Dept *aide-mémoire* Sep 24 ² airmailed you concerning policy toward Sweden summarized as follows :

Seventy Vampires plus sixty spare Goblin engines already delivered Sweden under Jan 1946 contract. License to manufacture Goblin and Ghost engines granted Sweden early 1946. Sweden has placed orders totalling two hundred ten including one hundred twenty contracted for Jan and ninety this summer for Vampire airframes to be fitted with Swed produced engines. Delivery airframes to begin Mar 1949 at rate five per month.

Brit policy on above contracts based fact firm orders from RAF, Commonwealth and Western Union and other allies insufficient to keep aircraft industry desired high level. Therefore orders accepted from friendly countries important to UK defense provided they do not interfere with procurement of allies. Since limiting factor is engine production Swed orders do not interfere. Further considerations justifying contracts (a) escape clause in contracts (b) economic importance of exports.

Brit having considered delaying mil supplies for Sweden as means of persuasion decided against this form pressure prior to elections. Since UK unable offer Sweden worthwhile support until security arrangements Western Powers have been agreed Brit decided to adopt "somewhat reticent attitude". Brit consider their policy rather successful since Swedes have dropped *quid pro quos* for Scandinavian defense talks. Finally Brit (a) convinced pressure on Swedes useless at moment since UK unable to offer Swed firm guarantee of support (b) do not consider present policy should be changed.³

LOVETT

¹ Note from British Embassy dated September 30, 1948, titled "Supply to Sweden of Vampire Aircraft", not printed (853.248/9-3048).

² Not printed.

³ In answer to this telegram, Matthews cabled that it seemed to him the British were failing to take into consideration the time element required to move Sweden away from neutrality, especially since it involved changing a policy that had paid off for 135 years. (Telegram 1130, October 6, 1945, not printed: 858.248/10-648.)

840.20/10-648

Memorandum of Conversation, by the Secretary of State

TOP SECRET

PARIS, October 6, 1948.

Participants: Secretary Marshall
Foreign Minister Lange, of Norway
Mr. Hayden Raynor

Most of my conversation with Foreign Minister Lange, of Norway, is summarized in Top Secret Telegram No. 5130, of September 30, which is incorporated by reference as a part of this memorandum. Additional points included a reference by Foreign Minister Lange to the possibility that something short of complete participation in a North Atlantic arrangement might be the best plan for Norway. He referred to something in the nature of a declaration by us that an attack on Norway would be an attack on us, with an obligation on our part to come to their assistance. He said he thought this might produce the deterrent which might be so badly needed. He then said that anything further such as complete membership might well have the opposite effect and make Norway the first point of attack. In this connection he made a strong point of their long frontier with the Soviet Union, and the impossibility of Norway being able successfully to defend this frontier.

The Foreign Minister also asked questions as to what type of help, and the extent thereof, which might be forthcoming. I described to him in detail the efforts which we were making to recondition World War II matériel so that substantial quantities may be available for distribution by the next Congress if necessary arrangements are consummated.

There was no reservation whatsoever, however, in the Foreign Minister's statement that Norway desired at the proper time to discuss these questions with us.

G. C. M[ARSHALL]

840.00/10-748

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Acting Secretary of State*

TOP SECRET

[WASHINGTON,] October 7, 1948.

Subject: Italy and the Western European Defense Pact

Background

Immediately following Bevin's speech proposing Western Union, Sforza stated "Italy will be happy to cooperate with all her force

(but) on a footing of equality, even in the organizing stage.”¹ This endorsement was watered down almost at once, however, as it was realized in Rome that Italy was not to be included in the original group. Italian Government spokesmen began to refer to Italy’s military limitations under the peace treaty, the impossibility of the Government assuming new international commitments until after the April elections, etc.

Subsequently, a number of factors tended to cool the Italians’ initial enthusiasm. The general aversion to a shooting war, fed carefully by Communist propaganda for a policy of “neutrality,” led many to reconsider. Others, while still advocating Italy’s eventual adherence, argued that Italy’s demands for treaty revision and the colonies must first be met. The Rome Embassy suggested that this group, remembering Italy’s failure to obtain Western support in World War I peace negotiations, as well as the Anglo-French attitude after World War II, feared entanglement in a group where Italy’s military weakness would severely reduce her influence.

At the same time, the prospect of an American military guarantee for Western Union, continued to appeal to Italian opinion. This attraction, together with De Gasperi’s sincere policy of Western cooperation, prompted sporadic overtures in Washington, London and Paris. On May 6, the Italian Ambassador was told that the US considered Italy a natural and desirable member of Western Union, and it was indicated that the Italians should discuss the question with the Western Union powers.² Conversations with the British appear to have been in very general terms—so much so that when Gallarati Scotti recently observed to Bevin that Anglo-Italian relations seemed less close than formerly and inquired why Italy had not been invited to join Western Union, Bevin replied with some heat that Italy could scarcely expect to receive an invitation without first letting it be known that such an invitation was desired. (The Foreign Office commented that in view of the apparent tendency of the Italians to attach conditions, such as agreement on the return of the colonies, it was considered preferable to have Italy ask to join.)³

With the foregoing in mind, we commented recently to the Italian Chargé that if Italy were sincerely desirous of joining Western

¹ Ambassador James C. Dunn in Rome, in his telegram 326, January 23, not printed, provided the Department with a more complete quotation and commented on editorials in the local press (840.00/1-2348).

² On May 6, Ambassador Tarchiani met with Secretary Marshall and Walter C. Dowling, Associate Chief of the Division of Southern European Affairs. A memorandum of this conversation is printed on p. 797.

³ These views concerning British-Italian relations and discussions regarding Italian membership in Western Union were transmitted to the Department by Ambassador Douglas in his telegram 3940 from London, September 2, not printed (840.00/9-248).

Union, we felt this desire should be made clear to the Western Union powers, who should also be made to understand that Italy was not attaching conditions to its adherence.

Upon his return from a stay in Italy, Tarchiani also brought up this question on October 5.⁴ He stated the Italian Government still desired to join any defense arrangement which might be worked out between the European powers and the US; that the Government was endeavoring to combat the "neutrality" sentiment which had grown up in Italy; and that De Gasperi and Sforza were looking to the US for guidance as to when Italy should ask to join up. In reply, he was told that the Italian Government must make up its own mind as to whether it wished to adhere to a defense scheme; that if it did, the Western Union powers should be given to understand informally and confidentially that Italy desired to adhere at an appropriate moment; and that in the meantime the Government would undoubtedly wish to continue its program of informing Italian public opinion of the necessity of Western cooperation. It was again indicated to Tarchiani that doubts as to Italy's attitude, as well as a belief that conditions might be attached to Italy's adherence, had apparently arisen, and that these doubts should be overcome.

⁴ No record of this action has been found in the Department of State files.

840.20/10-848 : Telegram

The Ambassador in Portugal (MacVeagh) to the Secretary of State

TOP SECRET

LISBON, OCTOBER 8, 1948—9 a. m.

554. Deptel 451, September 26. After conferring with me, British Ambassador¹ yesterday handed Foreign Minister² following *aide-mémoire*:

"As Portuguese Government will no doubt be aware from reports in press, exploratory conversations opened early July in Washington between signatories of treaty of Brussels and representatives of governments of US and Canada. From these discussions has now resulted proposal submitted to seven governments represented for conclusion of pact of mutual assistance among North Atlantic countries. It is felt that parties to such agreement could make greater contribution to maintenance of law and order in combination than they could acting as individual powers. Strengthening of coordinated capacity of parties to resist aggression should, moreover, in itself tend deter aggression. Proposed security pact would be in harmony with UN charter (see

¹ British Ambassador to Portugal Sir Nigel B. Ronald.

² José Caeiro da Mata.

especially Articles 51 and 52) and in some measure follow precedent of Western Hemisphere defense treaty signed Rio 2 September 1947.

"It has been agreed that, in order be fully effective such pact should include not only US, Canada and Brussels treaty countries, but also certain other North Atlantic countries, such as Portugal, Norway, Iceland and Denmark. Proposals formulated Washington are now being studied by seven governments which participated in Washington talks. It would, of course, be improper anticipate final decisions those governments. If, however, proposals eventually approved, it is intended approach other governments, including that of Portugal, in order ascertain whether those governments would be prepared become parties to projected North Atlantic security pact."

In conversation which followed, Foreign Minister, according Sir Nigel, expressed gratification over receipt of message and added he "had always felt something like this indispensable." However, did not make clear whether he meant "something like this" to include Portugal. British Ambassador then said message intended merely as advance notice so that Foreign Minister might "arrange thoughts in case some day Americans or somebody else should come along and ask what Portugal would think of joining a North Atlantic security pact." Also said that if, in course of reflection, Foreign Minister should have any questions, he would gladly do his best to answer, and was personally sure US Ambassador "would also be glad come along and have talks."

Foreign Minister replied "message sufficient for immediate purposes," and would reflect carefully thereon. He showed some interest, without asking directly, as to possible Spanish inclusion, and to this British Ambassador said question unlikely arise until Spain "takes some substantial measures to liberalize existing regime." This connection Foreign Minister mentioned forthcoming municipal Spanish elections but Sir Nigel thought these unlikely sufficient.

Reporting generally on above, Sir Nigel told me he felt Foreign Minister's reception of idea "warm," though struck by fact he asked no definite questions. Felt Foreign Minister feared committing self in any way before consultations Salazar.

Have seen Foreign Minister personally myself today and advised him we fully associated with British in this matter, which he said he delighted to have confirmed. Believe, therefore, no additional *démarche* our part necessary in connection preparing Portuguese official mind for further developments, unless Department desires presentation parallel note for record. However, would welcome any information Department may currently be able to impart in view possible questions shortly.

MACVEAGH

840.00/10-1448

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[PARIS,] October 14, 1948.

Participants: Secretary Marshall
Mr. Hayden Raynor
Foreign Minister Undén, of Sweden

Foreign Minister Undén, of Sweden, called this afternoon at his request. He opened the conversation by stating that he realized that his well-known views on neutrality were unpopular in America, and he wished to take the opportunity of my presence in Paris to explain to me the background and reasons for this position.

He talked for perhaps fifteen minutes explaining that neutrality in Sweden was traditional, as it was in Switzerland. He pointed to the record of some one hundred and thirty-five years of peace. He said that he realized that, in the event of another general conflict, it would probably be impossible for Sweden to remain neutral for any extended period of time. He said, however, that if any change in this traditional policy were made now, it would cause a change in Russian policy toward Sweden. He said Swedish relations with Russia were now satisfactory. He said that even when Russia attacked Finland, Sweden had remained neutral and that this was realized and appreciated by the Russians. He said that although Sweden had operated at that time a sort of lend-lease program, it had refused transit facilities. He spoke of strong pressure at the time by the French. He said if Sweden took any step at this time of direct orientation to a western group, the Russians would, because of their suspicious nature, be sure to read into it all kinds of implications, such as bases had been granted to the Americans in Sweden, etc. He implied that Sweden could not afford, because of its geographic position, whatever retaliatory measures the Russians might then take.

He then spoke of the adverse effect such a move would have, in his opinion, on Finland. He said Finland now occupies a unique position as among the states directly bordering on Russia. He said Finland was not being Russianized. He said he believed if Sweden took any direct Western step, that the immediate result would be a direct change in the position of Finland. In concluding his personal remarks, Foreign Minister Undén mentioned the fact that defense talks were being initiated among the three Scandinavian states for the purpose of determining whether it might be possible to form, for purposes of defense, a "neutral" Scandinavian bloc. From what he said, it is clear that in his view such an arrangement would call for joint defense action by the three. It would not provide for an outside tie. He added that he did not know whether these talks had much chance of success.

I then spoke at some length on the subject of neutrality, stating that as the Foreign Minister had talked frankly to me, I also wanted to give him frankly some of our views on this question. I mentioned that there had also been traditionally a strong feeling of neutrality in the United States, especially in the Middle West. I inquired what the effect would have been in the world if President Wilson and President Roosevelt had maintained such a policy.

At this point Foreign Minister Undén interrupted to state that he appreciated that it would have been tragic for the world if we had maintained such a policy, but he added, "The United States is a great power." In this discussion I pointed out that the United States, among almost all of the other countries of the world, could best afford from its own selfish security point of view to be neutral. I also pointed out that it seemed to me there was a considerable difference geographically in this respect between the position of Sweden and that of Switzerland. I mentioned the vulnerability of Denmark, and the importance in a defense way to the West of Denmark, as well as Norway. I mentioned Greenland and the threat which its occupancy by an unfriendly power could create to the United States and the fact that, as he must realize, Denmark itself can give no assurance of being able to protect Denmark. My implication, in part, was that Denmark needed strengthening in a military way. I explained in the course of my dissertation on neutrality that the world has changed, that military operations were now sudden, and that surprise and quick initiative are at a premium.

After pointing out what the tragic results would have been in the world had the United States remained neutral, I explained what the world is now up against and what we are trying to do about it. I said that, unfortunately, we were confronted by a state which appeared to be utterly ruthless and devoid of all the human decencies of modern civilization—a state which seized and used every expediency to serve its particular ends without regard to ethics. I said that if this ruthless force were not opposed, it seemed to us that we were confronted by the possibility of a gradual establishment over the world of police states, and that this was abhorrent to us. I said we were against such a development, whether it took the form of force, such as the Norwegian experience with Germany, or the new form as exemplified recently in Czechoslovakia. I said that the United States was against the imposition on free peoples anywhere, against their will, of the police state. I emphasized that, since we were up against this type of situation, no one can count on the state in question doing the decent thing.

I then said we had given the most profound thought as to the best method of meeting this ruthless force. I said that the single conclusion to which we had come was that it must be met by a unity of such states as were willing to accept the challenge. I stated that had been an

important consideration in the development of the ERP program, and I explained to him its origin. I explained that, both in Congressional and public opinion at home, the hurdle to be overcome was the demand on the part of both that recipient nations act together in a uniform way. In this ERP discussion, I explained in some detail how fantastic the Soviet charge is that this program was initiated by the United States for imperialistic purposes. I said that at the time this program was started, we had not realized that military assistance might also be essential but that now we did. I explained what we were doing in the way of rearmament, and what we hoped to do along similar lines for the Western European states which might be unified in purpose. I told him in the greatest confidence what we had already done in the way of re-equipping certain French Divisions. I explained our three months program of reconditioning world war matériel. I explained that the combined result of the economic and military assistance program, we hoped, would be to re-create a sound and healthy economic strength in a unified Western Europe.

Towards the end of our conversation, Foreign Minister Undén made the comment that the problem of Swedish neutrality was his problem. I agreed that it was, but indicated that as he had spoken frankly to me, I wanted to give him my frank views on the question.

G. C. M[ARSHALL]

840.00/10-1548 : Telegram

The Acting Secretary of State to the Secretary of State, at Paris

TOP SECRET

WASHINGTON, October 19, 1948—1 p. m.

Telmar 77. Eyes only from Lovett. Joint Chiefs have informally asked our views on acceptance invitation conveyed Douglas' 4525 Oct 15 (760 to you).¹ They have anticipated this development for some time, regard it as step right direction and believe US participation should among other things reduce French anxiety concerning Combined Chiefs. Subject your approval ² I will advise Forrestal along following lines:

Decision as to US participation should be based primarily on military considerations. So far as political considerations are involved Dept desires strengthen morale Brussels Treaty countries and constantly to stimulate their efforts to coordinate and strengthen their defensive capacity. It believes US participation, naturally in non-

¹ Telegram 4525 from London, not printed (840.00/10-1548), conveyed an invitation from the Brussels Pact Permanent Commission to participate in the work of the newly-created permanent Western Union Chiefs-of-Staff Committee.

² Marshall indicated his approval in his "eyes only" telegram to Lovett 62 of October 20 from Paris, not printed (840.00/10-2048).

member status, on same pattern as that being followed in Permanent Military Committee would have beneficial effects similar to those Lemnitzer reported as resulting from US participation in work of latter. Accordingly if NME finds that military considerations warrant US participation we would view it favorably. If NME finds it convenient to send officer of higher rank we believe this would also have beneficial effect.

LOVETT

840.20/10-2548 : Telegram

The Acting Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, October 26, 1948—6 p. m.

2652. For Amb from Hickerson. Ur 4097 Oct 25.¹ Upon his return to Rome, Tarchiani stated Ital Govt still desired join any defense arrangement worked out bet European powers and US; that Govt was endeavoring combat neutrality sentiment recently grown up in Italy, well as contentions Italy must hold back until satisfaction granted on colonies and treaty revision; and that De Gasperi and Sforza were looking to US for guidance in matter, as Itals had feeling Western Union powers not enthusiastic re Ital participation.

In reply, I told him we considered Italy natural and desirable member of Western group, as he was assured by Secy last May, but Ital Govt must make up its own mind whether it wished adhere any Western defense arrangement. If decision in affirmative, it seemed wise Western European powers be informed thereof informally and confidentially so as to clarify doubts which had arisen re Ital attitude and remove impression Itals endeavoring make eventual adherence conditional upon satisfaction claims re colonies and treaty revision.

Sent Rome 2652 rptd Paris for Secy as tel 4174 ref Martel 82 Oct. 25.¹ [Hickerson.]

LOVETT

¹ Not printed.

840.20/10-2648 : Telegram

The Acting Secretary of State to the Secretary of State, at Paris

TOP SECRET NIACT

WASHINGTON, October 26, 1948—7 p. m.

Telmar 110. For Secretary from Lovett. Delga 493, Oct 26.¹ We anticipate a resumption of the exploratory conversations in Washing-

¹ Not printed.

ton on basis of decisions reached by Brussels Treaty Foreign Ministers. Before we decide on precise next step, we feel most important to have full consultation with U.S. political leaders. If these are favorable we would endeavor perfect certain details of plan and thereafter discuss with Brussels Pact signatories and Canada some agreed procedure for sounding out other North Atlantic countries. There have been no developments here since your departure in Sept for Paris. You of course recall that the exploratory conversations so far held are without any commitment whatsoever on anyone's part.

LOVETT

758.00/10-2648

Memorandum of Conversation, by the Acting Secretary of State

SECRET

[WASHINGTON,] October 26, 1948.

Participants: Mr. Erik C. Boheman, Swedish Ambassador
Mr. Robert A. Lovett, Acting Secretary of State
Mr. Benjamin M. Hulley, Chief, Division of Northern
European Affairs

The Ambassador said he had asked to see me in order to continue our last talk ¹ in which we started to discuss the relations of Sweden with the Western Powers. I told him we had had a report of the recent conversation between his Foreign Minister and Secretary Marshall which covered a good deal of ground. Mr. Boheman said that he had received a brief cable listing the main points of that talk. [In the first part of our talk the Ambassador seemed nervous and on the defensive, but in the latter part he regained his customary buoyant confidence.] ²

He said that Sweden has cooperated loyally with the Western nations in European recovery plans and in the United Nations on atomic energy and other questions. However, Sweden felt great reluctance to enter any sort of military alliance, because to do so would lead the Soviets to take counter-measures in the belief that airfields in Sweden were being made available to the Western Powers for attack on Russia. These counter-measures would include prompt Russian occupation of Finland. This would be very repugnant to Swedish public opinion since half a million persons of Swedish race live in Finland which historically was a Swedish province. As a result Russia would be right on the Swedish border, necessitating continuous mobilization such as exists in Turkey, and this would turn Sweden into a liability rather than a potential asset as it now is. Swedes believe that a major reason

¹ Lovett met with Boheman and Counselor of Embassy Alexis de Aminoff on October 8. The brief conversation is recorded in a memorandum of conversation dated October 8, not printed (658.6131/10-848).

² Brackets appear in the source text.

for the mild Soviet policy towards Finland is based on the theory that a harsh policy would frighten Scandinavia into close military cooperation with the West, and Sweden does not want to make any move which would lead to a harsh policy in Finland.

He deplored the use of the word "neutrality" which was most inaccurate and misleading, since this neutrality points only one way and has never taken into consideration the possibility of conflict with the Western Powers. I remarked that we had run through a number of terms like "non-intervention" and "non-belligerence", and he said that perhaps one of these would be better adapted to the situation. He wanted to make it clear that there was no failure on the part of Sweden to discriminate between the two sides; Swedes were practically unanimous in siding with the West. Sweden continued to use the word "neutrality" as a convenience because of its long tradition, though it was perhaps something of a blind which did not correctly designate the Swedish attitude.

I told the Ambassador I appreciated his talking frankly with me. I said that speaking as an individual, not as an official, I was puzzled at the conception of any sort of military alliance of the three Scandinavian countries since their strength was so unequal, Denmark being wide open to attack and Norway having no defense potential, whereas Sweden was militarily strong in training, equipment, and industrial production. Scandinavia is not a geographic entity from the viewpoint of modern warfare. He agreed that the three nations were quite unequal in the characteristics I mentioned, and he was very doubtful that any sort of military agreement would emerge from the current Scandinavian talks; particularly, he did not think there would be a neutrality agreement. However, he thought it was useful to explore in these talks whether there is any basis on which the countries can offer military assistance to one another in case of attack. The only hope in the case of Denmark is to defend a small area so as to keep the Straits open, forgetting about Jutland. He thought a good defense line could be established across northern Norway and Sweden, from Narvik to the head of the Bothnian Gulf. With Swedish ground troops there this line could hold out for a very long time.

I asked if Bofors is still producing military equipment. He said it is going strong and is the mainstay of Swedish military production. I asked if Sweden had sufficient to offer military supplies to its two neighbors and if so, how they could pay. He said Sweden could offer some supplies, and as trade is so evenly balanced, Sweden would probably have to help the recipients with a credit.

After some interesting anecdotes (summarized separately) he said he just wanted to let me know the problems Sweden is facing so that

I could understand the Swedish position. I expressed my appreciation of his talking with me in this way.

L[OVERT]

840.00/10-2948

*Memorandum by the Ambassadors of Belgium (Silvercruys), France (Bonnet), Great Britain (Franks), and the Netherlands (Van Kleffens), and the Minister of Luxembourg (Le Gallais) to the Department of State*¹

The Ambassadors of Belgium, France, Great Britain and the Netherlands, and the Minister of Luxembourg, acting on instructions from their Governments, have the honour to inform the Government of the United States that the Consultative Council of the Foreign Ministers of the five signatory powers of the Brussels Treaty, at their meeting in Paris on October 25th and 26th, 1948, agreed in principle to negotiate a North Atlantic Pact with the United States and Canada. The Consultative Council has taken note with keen interest of the report² drawn up in Washington at the conclusion of the conversations which took place during the Summer. This report makes a first and valuable contribution to the study of the question. The Consultative Council proposes to draw on it for instructions to be sent within ten days to the Permanent Commission in London to enable the latter to draw up in its turn directives for the Heads of Missions in Washington. The Consultative Council feels that the Capital of the United States would in fact be the most suitable place for the negotiations which should produce the final text of the treaty. It will be for the United States Government to fix the opening date of these negotiations as soon as the five Governments have been able to send the necessary instructions to their representatives.

OLIVER FRANKS
H[ENRI] BONNET
[ROBERT] SILVERCRUYS
HUGUES LE GALLAIS
E. V. VAN KLEFFENS

OCTOBER 29, 1948.

¹ This memorandum was handed to Hickerson on October 29 by the French Counselor of Embassy, Jean Daridan, who stated that the Brussels Pact Chiefs of Mission in Ottawa were on the same day informing the Canadian Government in a similar sense. Hickerson said he was glad to note that the Brussels Pact countries had agreed in principle to negotiate a North Atlantic Pact, but he reminded Daridan that U.S. representatives in the Washington Exploratory Talks had not been, and were not now, in a position to commit the U.S. Government to such an agreement. He added that the next step must necessarily follow soundings with political and congressional leaders in both parties, and such soundings must in turn await detailed reports on the results of the Paris discussions and decisions of the Brussels Pact Foreign Ministers (memorandum of conversation, by Hickerson, October 29, 1948, not printed: 840.00/10-2948).

² Memorandum of September 9, 1948, p. 237.

840.20/11-648 : Telegram

The Acting Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, November 9, 1948—3 p. m.

Gadel 432. For Bohlen from Hickerson. Delga 629 Nov 6.¹ On November 6 Pres approved general principles of Sep 9 document which Secy has and approved next steps indicated Telmar 110 Oct 26. He took Sep 9 paper to Key West for study and any revisions arising from future exploratory talks will naturally be cleared with him. Lovett has touched base with Vandenberg and hopes to do so shortly with Connally. No other Congressional soundings contemplated pending receipt further European views in renewed exploratory talks. Except for conversations with Norwegians and Danes on which memoranda long ago sent Secy and Italians (Deptel 4174 Oct 26²) we have had no conversations here. NME expecting visit in Dec from Gen Marras Ital Chief of Staff and Ital Emb advises us Gen Revers³ has initiated Franco-Ital mil talks with Admiral Maugeri.⁴ No other developments here since you left. In any talks there with Brussels Treaty country reps suggest stressing importance providing satisfactorily for Italy. [Hickerson.]

LOVETT

¹ Not printed.² Telegram 4174 to Marshall in Paris was a repetition of telegram 2652 of the same date to Italy, p. 267.³ Gen. Georges Marie Joseph Revers, Chief of Staff, French Army.⁴ Vice-Adm. Francesco Maugeri, Chief of Staff, Italian Navy.

840.20/11-1648 : Telegram

The Acting Secretary of State to the Embassy in Denmark

TOP SECRET

US URGENT

WASHINGTON, November 17, 1948—3 p. m.

709. Embtel 1028 Nov 16.¹ In exploratory talks here possibility of limited commitments for certain countries including Norway and Denmark as mentioned to you by French Amb was envisaged but this should under no circumstances yet be intimated to anyone in view desirability Norwegians and Danes becoming full members if possible. Area covered by North Atlantic Pact would in any event be limited to metropolitan territories of parties and their Atlantic islands and would certainly not involve Denmark in event attack on Iran or other country not in delineated area.

¹ In telegram 1028 from Copenhagen, not printed, Marvel expressed approval of the "French approach" of varying obligations among North Atlantic Pact members. He cited, as an example, the added incentive Denmark would feel towards participation in a pact if she were not obligated to declare war in the event that Iran were attacked or war started elsewhere than in Central or Northern Europe (840.20/11-1648).

It is important French give no hint of possible limited commitments (as distinct from limited territorial scope) to Norwegians and Danes at this time.

LOVETT

840.20/11-1748: Telegram

The Acting Secretary of State to the Embassy in Sweden

TOP SECRET

WASHINGTON, November 17, 1948—6 p. m.

799. For Ambassador from Hickerson. Brit Emb has given us paper on relation of Sweden to Scandinavian cooperation and North Atlantic security.¹ Its substance presumably has been or will shortly be communicated to Brit Ambs in Scandinavia. We agree with much of its substance but feel it would provide something too closely resembling one-way commitment to Sweden by members North Atlantic Security Pact. We are giving Brit following working level views:²

We fully agree every effort should be made induce Norway and Denmark become full parties North Atlantic Security Treaty if one is concluded. We do not favor any one-way commitments. Area within which armed attack would bring into effect mutual assistance provisions of Atlantic treaty would include metropolitan territory of each party and its islands in North Atlantic. Thus if Norway and Denmark were parties armed attack on their islands or metropolitan territory would bring those provisions into effect for all other parties. Armed attack on Sweden if it were not party would merely require consultation. Provided Norway and Denmark were parties to Atlantic treaty it would be desirable to have three Scandinavian countries parties to separate but similar Scandinavian defense treaty limited in geographic extent to Scandinavia and providing for full mutual assistance in event of armed attack within that area and merely consultation in event of armed attack elsewhere. Under such interlocking arrangement for example attack on Belgium would require full assistance from Norway and Denmark but not from Sweden. Attack on Norway or Denmark would require assistance from all parties to Atlantic treaty and Sweden. Attack on Sweden would require assistance from Norway and Denmark but not from other parties to Atlantic treaty unless as result of consultation they choose to give it.

Pls consider foregoing discuss with your Brit colleague and give

¹ Paper left with Hickerson by British Minister Hoyer Millar on October 12, not found in Department of State files (840.20/11-1548).

² The views summarized below were spelled out by Hickerson in his letter to Hoyer Millar dated November 15, 1948, not printed (840.20/11-1548).

us your views without discussing it with Govt to which accredited at this time.³ [Hickerson.]

LOVETT

³ Ambassador Matthews on November 19 discussed telegram 799 with the British Chargé in Sweden, Henderson, and was told by the latter that when the British paper had been discussed confidentially with the Norwegian Foreign Minister, Lange had not liked that portion of the paper which offered more favored treatment of Sweden than of Norway or Denmark in the extent of its military obligations. Matthews conveyed to the Department his strong belief that instead of trying to entice Sweden into indirect semi-participation with the West at that time, it would be better to concentrate first on bringing Norway and Denmark into the fold through provision of the arms they had requested, thereby stimulating Swedish fears of being left alone in a completely exposed position. (Telegram 1301, November 19, from Stockholm, not printed: 840.20/11-1948.) Ambassador Marvel, in answer to a copy of telegram 799, informed the Department in telegram 1035 of November 19 from Copenhagen that the British Ambassador in Denmark agreed with the formula contained in telegram 799 but was skeptical as to fulfillment of an interlocking arrangement involving a Scandinavian pact that was not yet certain. Marvel considered the suggested formula satisfactory provided that application of measures for mutual assistance were also brought into play by other than armed attack within the delineated area. (Telegram 1035 not printed: 840.20/11-1948.)

841.20/11-1748

Report by the Office of Intelligence Research

[Extract]¹

SECRET

[WASHINGTON,] November 17, 1948.

No. 4769

BRITAIN'S REARMAMENT POLICY: POLITICAL AND ECONOMIC
IMPLICATIONS

IV. REGIONAL DEFENSE AND WESTERN UNION*

Although there is general agreement in the UK about the imperative need for building a regional defense system based on the Brussels union, only the outlines of Western Union defense have so far emerged and British attitude toward firm commitments remains cautious. Between the conception of a Western European defense union and its reality lie a series of difficulties: Anglo-French jealousies and differences over the form, leadership, and strategy of Western European defense, rivalry over allocation of weapons in short supply, uncertainty about American aid, the problem of fitting Commonwealth countries and peripheral European areas into the defense scheme, and, in general, British preference for a pragmatic, step-by-step approach

¹ Another portion of this document is printed on p. 1121.

*For other aspects of British policy on Western Union, see OIR-3728, *Britain and a Western European Bloc*, secret (forthcoming). [This and subsequent footnotes (except footnote 2) are in the source text. OIR-3728 is not printed.]

rather than tidy, paper plans. Over everything hovers the fear that the assumption of a large-scale defense and rearmament burden will undermine the foundations of British and European economic recovery.

Britain's actual defense plan has been fashioned largely in insular terms. Nevertheless, the progress made toward a Western European regional defense arrangement has been striking in view of original British reluctance to assume commitments beyond those of a traditional military alliance. In fact, it is in the field of defense that Western Union has given the greatest appearance of vitality. Beyond the consultative arrangements provided by the Brussels Pact, Britain has agreed in principle to (*a*) joint defense planning by the five Defense Ministers and establishment of the framework of a common military organization, (*b*) consideration of the financial implications of the problems of supply, (*c*) collaboration in a North Atlantic military alliance, and (*d*) continuous ministerial consultation on a common defense policy for Western Union.

A. Brussels Pact

The framework of all defense arrangements is provided by the Treaty of Economic, Social and Cultural Collaboration and Collective Self-Defense between the United Kingdom, France, and the Benelux countries, signed at Brussels on March 17, 1948. In addition to setting up a defensive military alliance under Article 51 of the United Nations Charter (Art. IV of the treaty), the Brussels Pact creates a Consultative Council—"so organized as to be able to exercise its functions continuously"—which may be convened at any time to "consult with regard to any situation which may constitute a threat to peace." (Art. VII.) In actual practice the Consultative Council met three times between March and October 1948 as a conference of Foreign Ministers of the five signatories to consider action taken by subordinate bodies under the Brussels Pact. In the field of defense, the most important action of the Consultative Council was taken at its Paris meeting of October 25-26, 1948, when it (*a*) approved the decision of the five Defense Ministers at their meeting on September 27-28, 1948 to set up a joint Western Union defense command; (*b*) decided to set up a committee of experts to study the financial and economic implications of defense; and (*c*) agreed on the principle of a North Atlantic defensive pact and "on the next steps to be taken in this direction."

Of importance to the future defense system is the discussion which has been taking place during the summer and fall of 1948, both in official and unofficial circles, regarding the constitutional form which European union should assume at this stage. The chief difference is between the Franco-Belgian proposal for some sort of European

representative assembly and the tentative suggestion by Bevin for the establishment of a European Council of Ministers appointed by and responsible to the governments. While Bevin's proposal has not had the sanction of the British Cabinet,[†] it is known to represent the official British view, which opposes a rigid framework for Western Union and prefers a council responsible to the governments and free to consider measures of cooperation in any field and to consult with non-Brussels powers. This view reflects British preference for leaving political and defense commitments largely undefined at this stage and for continuing to work through the Consultative Council. As a compromise, the Consultative Council decided to set up a committee of representatives chosen by the governments (five French, five British, three Belgian, three Dutch, and two Luxembourgers) to consider the various schemes for European unity, including the Franco-Belgian and British suggestions, and to report to the next meeting of the Consultative Council.[‡]

B. Joint Defense Planning

The first step toward joint defense planning was taken by the five Defense Ministers and their Chiefs of Staff on April 30, 1948, when agreement was reached on the organization and composition of a permanent military committee to examine common defense problems within the scope of the Brussels treaty.[§] With a separate secretariat headed and largely staffed by British officers, the military committee reports not to the permanent commission of the Brussels powers but to the individual Chiefs of Staff and Defense Ministers. It performs primarily a study function, and its first directive was to survey existing effectives and equipment, requirements which could be met by the five powers out of their own resources, and the extent to which United States aid would be required.||

The Defense Ministers did not meet again until September 27-28, 1948, when they considered the joint recommendations of the Chiefs of Staff and the work of the military committee. Although knowledge of the meeting is limited almost exclusively to the official communiqué, there is little indication that achievement went much beyond what is

[†]T-4710, London, November 2, 1948, secret. One of the principal British arguments against an assembly is that there would be no way of excluding Communist participation. On Commonwealth reaction to Bevin's proposal, see A-1996, London, November 1, 1948, secret. [Telegram 4710 and Airgram 1996 not printed.]

[‡]Conservatives, led by Churchill, voiced strong criticism of the all-Labor make-up of the British delegation on this committee and charged that the head of the delegation, Hugh Dalton, opposes a united Europe except upon a Socialist basis. *New York Herald Tribune*, November 19, 1948.

[§] T-1872, London, May 1, 1948, plain. [Not printed.]

|| T-1912, London, May 4, 1948, secret. [Not printed.]

publicly claimed. The Ministers agreed upon "a common defense policy which should govern the detailed work of their own military staffs," designed "to ensure the security of the Five Powers as a whole within the scope of the Treaty of Brussels and of the Charter of the United Nations." The Ministers decided to set up a permanent organization under the authority of the Defense Ministers "to give effect to this policy and to deal with problems of production and procurement of equipment." This organization "will include the nucleus of a land, air and naval command with a permanent military chairman" and "will study the tactical and technical problems of Western European defense."[¶]

It is much too early to speculate on what the ultimate scope of the permanent military organization will be. In theory, advanced British thinking on the subject grants that in order to be effective the Brussels structure must be completed "by the kind of pooling which united British and American forces during the war—by a Combined Chiefs of Staff committee at the top of the pyramid of command" and by the integration of all three services backed by "the complete standardization of weapons and equipment and by the division of production according to national capacity."^{***} Actual achievement to date is far short of this goal. The British cabinet approved Alexander's report on the Defense Ministers' meeting and by implication approved the implementation of a common defense policy which would deal with problems of production and equipment as well as those of a tactical and technical nature.^{††} In effect, the immediate function of the military organization is limited largely to the study of strategic and logistical problems involved in coordinated defense. Lack of proper staffing and preparation for the Defense Ministers' conference^{‡‡} led to the premature disclosure of General Juin's name as the candidate for chief of land forces and resulted in much embarrassment when he refused to accept.

Appointments to the Permanent Defense Organization were finally confirmed on October 5, 1948. Field Marshal Viscount Montgomery resigned as Chief of the Imperial General Staff to become permanent Military Chairman of the "Commanders in Chief Committee"; instead of General Juin, General de Lattre de Tassigny was appointed Commander in Chief of the Land Forces; Air Marshal Sir James Robb became Commander in Chief of the Air Forces; and the position

[¶] *Manchester Guardian*, September 29, 1948.

^{**} Barbara Ward, *The West at Bay*, New York, 1948, p. 196.

^{††} *Times*, October 1, 1948.

^{‡‡} Spaak blamed the British for failure to appoint a proper secretary general for the Defense Ministers' "council." T-1854, Brussels, October 11, 1948, secret. [Not printed.]

of Flag Officer, Western Europe, to be filled by French Vice Admiral Robert Jaujard, was created to provide naval coordination. Mainly because of Anglo-French differences over the nationality of the naval commander for Western Union the position of naval commander in chief was left vacant. In addition to the Permanent Military Organization and the Permanent Military Committee (noted above), the Brussels powers' Permanent Commission has set up a Military Committee on Equipment and Armament to consider military supply problems. American and Canadian observers attend meetings of these committees.

Joint defense planning has thus reached the stage where machinery for shaping joint policy and the nucleus of an integrated command exist and can be used as the governments determine. A small and hesitant beginning has also been made in studying financial questions arising out of military coordination. §§ But it is clear that concrete accomplishment in this field must await the resolution of the economic and political difficulties which have held up more rapid progress of the formation of Western Union. One of the most important is the relation of the US to the Western European alliance.²

§§ T-5471, Paris, October 20, 1948, secret. See also *New York Times*, October 17, 1948. [Telegram 5471 not printed.]

² A more detailed description of the Brussels Pact Consultative Council, Permanent Commission, Organization of Defense, the Economic and Financial Organization, and the Cultural and Social Organization appears in a study by the Brussels Treaty Permanent Commission dated December 21, 1948, entitled "Brussels Treaty Permanent Commission—Treaty of Brussels." It is in Department file 840.00/2-2149 as an enclosure to despatch 299 from London, February 21, 1949, not printed.

857D.20/11-1848 : Telegram

The Ambassador in Sweden (Matthews) to the Secretary of State

SECRET

STOCKHOLM, November 18, 1948—7 p. m.

1293. Inter-Scandinavian Defense Committee conversations at Stockholm concluded yesterday. Next meeting in Copenhagen in mid-December. Gunneng of the Norwegian Foreign Office, who has been acting as Secretary of the Norwegian Delegation, today gave us following impressions (Swedes as usual will be very reticent on this) :

Although at least the formal phases of discussions were kept within the framework of the original terms of reference (Embtel 1042, September 11) that is to say exploration of the feasibility of an Inter-Scandinavian Defense Pact without prejudice to the Swedish position of strict neutrality or the Dano-Norwegian wish to keep a door

open to the west the "real thoughts of some of the participants" at times came to the surface. In this connection Colonel Hassel, Norwegian Military Attaché here has indicated separately to American Military Attaché and British Military Attaché that the Norwegians were disappointed over unreality of Swedish views and were pessimistic re possibility of a favorable outcome of the discussions as a whole. In his conversation with us Gunneng did not however go this far, possibly because his talks were limited to formal sessions and Foreign Office.

Gunneng said that in his view, the Stockholm discussions and the preceding Oslo discussions were primarily informative and exploratory but that "definitive results" might be expected one way or another at the forthcoming meeting in Copenhagen. He thought Copenhagen meeting would be followed by a final meeting at Oslo January 9th or 10th.

Gunneng felt that neither the Oslo nor the Stockholm meetings had altered in the slightest degree the views with regard to neutrality and association with the West held by the Swedish and Norwegian Governments, respectively, prior to the inception of the discussions. Norway, he said most emphatically, will not enter any arrangement which closes the door to Norwegian association in a North Atlantic pact.

Gunneng expressed great interest in knowing whether the Swedish Government clearly understood that the terms of the Vandenberg Resolution precluded unilateral support by the US of a Scandinavian Defense Pact. When told that we had made this quite clear informally to Swedish Foreign Office and Swedish military circles he said he thought it was very important that the Swedish Government be officially informed on this point. He said that the Norwegian Government clearly understood the point but that, should it arise in future discussions between Sweden and Norway, the Norwegian position would be strengthened if they knew, and the Swedish Government knew that they knew, that we had informed the Swedes of our governments interpretation of the Vandenberg Resolution in this respect. The plain inference to be drawn from Gunneng's remarks was that the point had already arisen in conversation and that the Swedes had maintained a contrary view.

Gunneng indicated he would probably have a more detailed conversation with Mr. Villard in Oslo when he returns tomorrow.

Sent Department 1293, repeated Oslo 53, Copenhagen 61, Paris 372.

MATTHEWS

840.20/11-2048 : Telegram

The Ambassador in Belgium (Kirk) to the Secretary of State

SECRET

BRUSSELS, November 20, 1948—4 p. m.

2054. Speaking with enthusiasm over progress made in North Atlantic Pact matters Spaak hopes American and Canadian concurrence may be possible by January. In fact with his usual keen political sense Spaak seems to realize that [*what*] American adherence means in terms of our traditional attitude. He strongly favors restricting its initial membership to 7 nations (5 Brussels pact plus Canada and US) holding view that too early action incorporate others such as Iceland and Scandinavian powers would dilute results. In any event he is skeptical over any warm response from Sweden and chary of going too far with her 2 affiliates just now. Irish delegate MacBride (who Spaak likes and considers both intelligent and sound) has also been needling Spaak in Ireland's behalf but again Spaak reacted cautiously and says it is too soon.

Sent Department 2054, repeated London 198.

KIRK

840.20/11-2048

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[PARIS,] November 20, 1948.

Participants: Mr. Lange, Foreign Minister of Norway
Secretary Marshall
Mr. Hayden Raynor

Foreign Minister Lange of Norway called on me this morning at his request.

He opened the discussion by stating that there were certain questions with respect to regional defense arrangements which he wanted to ask me, realizing that quite possibly I would not desire to reply to them off hand.

He stated that considerable progress had been made in Scandinavian defense talks between Norway and Sweden and Denmark, but that it was impossible at the moment to tell what the result would be. He then stated his first question as follows: Would it serve the purpose of the present situation if Sweden could be drawn into the Scandinavian defense arrangements on the basis of assuming an obligation for the joint defense of all Scandinavia with no tie between the Scandinavian arrangement or the participants therein with the broader regional arrangement. I stated that as he had realized, this was a question which I would desire to turn over in my mind before making a reply.

In the discussion of this point the Foreign Minister stated that it might be possible although he was not certain, to persuade the Swedes under such an arrangement to agree that this was a regional arrangement as defined in the Charter of the United Nations.

He then stated his second question as follows: Would it be possible for a country such as Norway to receive military supplies from the United States on a lend-lease basis in the absence of a formal tie with a broad regional arrangement? Mr. Lange argued in a mild way that it should be to our advantage to strengthen Norway militarily, even in the absence of a formal tie. He also spoke of the financial problem involved, stating that outlays for military purposes would compete with and could not help but hinder the economic recovery program. He stated that Norway was deficient in almost all kinds of military supplies. I replied that this also was a question which I did not wish to answer off-hand and that I personally could not give the answer as it would be up to Congress.¹ I pointed out, however, that in view of the limited availability of military supplies and in light of the many claimants that I questioned if such an arrangement would be feasible.

Foreign Minister Lange then stated that because of the limited availability of military supplies, both from the U.K. and from the U.S., that from a short-term point of view an arrangement such as described under his first question might be the most beneficial to Norway in as much as Sweden did have military strength. At this point I described in some detail what we have been doing on the three months program of rehabilitation of old World War II matériel. I mentioned the re-equipping of the French divisions and made the point that there definitely would be matériel available for distribution. I then spoke, however, about the claimants mentioning in addition to France the distributions which had been made to Greece, Turkey and China. I told Lange our objective was to strengthen Western European countries in a military way.

I said that as I evaluated the situation that the most critical point from a point of view of possible overt Soviet aggression would probably be the time when this military matériel was flowing to Western Europe. I added, however, that I did not think in all probability this by itself or incidents arising from the situation in Berlin or any incidents except a planned incident would be the determining factor. I said the determining factor in my judgment would be a general decision, pro or con, made by the Soviet rulers, and that such a decision, pro or con, possibly had already been made.

¹ In telegram Delga 863, November 20 from Paris, not printed, Marshall invited the Department to forward its recommendations if it wished Lange to be given an answer in Paris to his first question or further elaboration of the substance of his second question (840.20/11-2048).

I mentioned that in my judgment the main deterrent to Soviet aggression has been the possession by the United States of the atomic bomb. I added that until fairly recently I thought the Soviet leaders probably had felt that the American people never would permit the use of the bomb but that in the light of developments of recent months, including Berlin, and of developments here that I felt the Soviet leaders must now realize that the use of this instrument would be possible and hence the deterrent influence now was perhaps greater than heretofore.

In this part of the conversation Foreign Minister Lange stated that he wished to ask a third question, which he stated approximately as follows: Is it your feeling that impending doom is approaching? I replied that I could not answer this question, that no one knew what was in the minds of the Soviet leaders or what they may have already decided, but that I thought as I had said before that the decision one way or the other would be a coldly-calculated one and not the result of any particular events taking place at this time, and that possibly the decision, pro or con, had already been taken by the Soviet leaders.

During the conversation I referred to my discussion of the question of neutrality with Foreign Minister Undén of Sweden, and mentioned that he had based his case in discussion with me on the principle of neutrality much more than on the question of proximity. In my discussion with Undén I therefore put the case of what might happen in the world should the United States adopt the principle of neutrality. I mentioned that while Switzerland could maintain neutrality based on geography, that Sweden could not. I referred as I have previously, to the extremely exposed position of Denmark for which I had the greatest consideration, and also realized that Norway was in an extremely difficult position, although not as bad in this respect by far as Denmark.

840.20/11-2248 : Telegram

The Acting Secretary of State to the Embassy in Sweden

TOP SECRET

WASHINGTON, November 22, 1948—11 a. m.

812. You may ur discretion take occasion advise FonOff orally (Embtel 1293 Nov 18) same views we expressed to Norwegians in Sept (penultimate para Dept A-175 Sept 22 to Oslo repth to you for info). This would be along lines that any regional arrangement based on neutrality would appear incompatible with intent Vandenberg Resolution (which will be basis for any legislation introduced forthcoming session provide for military assistance other countries) and might well disqualify signatories from getting US aid at least until requirements

members of collective arrangements such as that contemplated for North Atlantic area have been met. You may also use foregoing in ur conversations with Swedish military. This is of course our policy and we know you will be careful to avoid any appearance of desire bring pressure and on contrary to give impression of disinterest in anything Sweden may do. Brit Emb and Norwegians in Oslo may be advised ur action.

LOVETT

840.20/11-2048 : Telegram

The Acting Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, November 22, 1948—6 p. m.

Gadel 554. Delga 863 Nov 20. Lange may be advised with reference both questions that while matter is for final determination by Congress we expect (and will ask) legislation be based on Vandenberg Resolution formula in authorizing military assistance for govts associated with US in regional or other collective defense arrangements based on continuous and effective self-help and mutual aid and affecting our national security. We are not thinking of "lend lease" but of "mutual aid" i.e. integrated defense and supply arrangements covering all countries participating in association with each contributing what it most effectively can. Priority of assistance authorized would naturally go to implementation such programs. Other nations seeking assistance must take places in long queue for residual assistance if any.

LOVETT

840.20/11-2248 : Telegram

The Acting Secretary of State to the Embassy in Belgium

SECRET

WASHINGTON, November 22, 1948—7 p. m.

1566. Embtel 2054 Nov 20. We are unable understand Spaak's enthusiasm over progress toward North Atlantic Pact or belief Pact may be realized by Jan. Matter has been at complete standstill with ball on European side of net since Sept 10 with present indications exploratory talks will not be resumed before Dec. We anticipate minimum of three months will be required between resumption of exploratory talks and submission of possible Pact to Senate. It was made clear in exploratory talks we were not interested entering in Pact with Brussels Treaty parties alone and that we attached great importance to mutually satisfactory provision for original membership of Italy and other North Atlantic countries. We do not see any

connection with Ital colonies (Embtel 2052 Nov 20¹) and believe Ital participation must be on basis existing military clauses of peace treaty. Eventual inclusion Italy within Brussels Pact is matter for decision by present parties but we have strong views on initial inclusion Italy in any Atlantic Pact. We would appreciate elaboration Irish views as expressed to Spaak by MacBride.

LOVETT

¹ Not printed.

840.20/11-2348

*The United States Special Representative in Europe (Harriman),
Temporarily at Washington, to the Secretary of State*

SECRET

WASHINGTON, November 23, 1948.

DEAR GENERAL: In my work in Europe I feel that it is important for me to understand, before my return to Paris, what are our policies, or at least our approach, with respect to the following:

(1) The general form of organization of western Europe which we desire to see developed and what we expect of the OEEC and its role in the over-all concept.

(2) Our attitude toward the Atlantic Pact both in relation to western union and the participating countries.

(3) Our general approach to the rearming of western Europe, particularly in respect to western union and how far we are prepared to integrate our own security plans.

(4) Our policies toward France, particularly in the manner in which our influence can be exerted toward the attainment of greater political and financial stability.

(5) Developments in our policies in Germany.

Obviously, ECA policies will be affected by our national policies in these areas and should be considered with them. In addition, the ECA can exert considerable influence in the attainment of our objectives.

Yesterday you indicated that you wanted to have a talk with Hoffman¹ and myself. When we get together I hope that I will have the opportunity to talk through these subjects.

Sincerely,

W. A. HARRIMAN

¹ Paul G. Hoffman, Economic Cooperation Administrator.

840.20/11-2448

*Memorandum by the Director of the Policy Planning Staff (Kennan)*¹

TOP SECRET

[WASHINGTON,] November 24, 1948.

Attached is a Policy Planning Staff paper embodying certain points which the staff feels should be considered and clarified before we

¹ Addressed to the Secretary and Under Secretary of State.

enter upon the forthcoming negotiations for a North Atlantic security pact.

The staff is aware that there will be adverse views in the European office on this subject; but it has not previously formally stated its position on these matters and feels that a clear and firm position should be arrived at by the Department on these points before any further negotiations are conducted with the European representatives.

GEORGE F. KENNAN

[Enclosure]

CONSIDERATIONS AFFECTING THE CONCLUSION OF A NORTH ATLANTIC SECURITY PACT²

The Policy Planning Staff wishes to invite attention to certain considerations which it feels should be borne in mind in connection with the forthcoming negotiations for a North Atlantic Security Pact, and to advance certain recommendations which flow therefrom:

1. *Misconceptions as to the Significance of the Pact.*

There is danger that we will deceive ourselves, and permit misconceptions to exist among our own public and in Europe, concerning the significance of the conclusion of such a pact at this time.

It is particularly difficult to assess the role of such a pact in our foreign policy for the reason that there *is* valid long-term justification for a formalization, by international agreement, of the natural defense relationship among the countries of the North Atlantic community. Such a formalization could

contribute to the general sense of security in the area;
facilitate the development of defensive power throughout the area; and
act as a deterrent to outside aggressive forces.

It is therefore desirable, quite aside from the situation of the moment in Europe, that we proceed deliberately, and with careful study to the elaboration and negotiation of such an agreement.

On the other hand, it is important to understand that the conclusion of such a pact is not the main answer to the present Soviet effort to dominate the European continent, and will not appreciably modify the nature or danger of Soviet policies.

² This paper was dated November 23 and identified as Policy Planning Staff paper PPS 43. The following words in an unidentified handwriting appear on the master copy of the cover page: "Secretary indicated orally his agreement to the second part of this paper. On the first part there was no disagreement anywhere . . ." GFK".

A military danger, arising from possible incidents or from the prestige engagement of the Russians and the western powers in the Berlin situation, does exist, and is probably increasing rather than otherwise. But basic Russian intent still runs to the conquest of western Europe by political means. In this program, military force plays a major role only as a means of intimidation.

The danger of political conquest is still greater than the military danger. If a war comes in the foreseeable future, it will probably be one which Moscow did not desire but did not know how to avoid. The political war, on the other hand, is now in progress; and, if there should not be a shooting war, it is this political war which will be decisive.

A North Atlantic Security Pact will affect the political war only insofar as it operates to stiffen the self-confidence of the western Europeans in the face of Soviet pressures. Such a stiffening is needed and desirable. But it goes hand in hand with the danger of a general preoccupation with military affairs, to the detriment of economic recovery and of the necessity for seeking a peaceful solution to Europe's difficulties.

This preoccupation is already widespread, both in Europe and in this country. It is regrettable; because it addresses itself to what is not the main danger. We have to deal with it as a reality; and to a certain extent we have to indulge it, for to neglect it would be to encourage panic and uncertainty in western Europe and to play into the hands of the communists. But in doing so, we should have clearly in mind that the need for military alliances and rearmament on the part of the western Europeans is primarily a *subjective* one, arising in their own minds as a result of their failure to understand correctly their own position. Their best and most hopeful course of action, if they are to save themselves from communist pressures, remains the struggle for economic recovery and for internal political stability.

Compared to this, intensive rearmament constitutes an uneconomic and regrettable diversion of effort. A certain amount of rearmament can be subjectively beneficial to western Europe. But if this rearmament proceeds at any appreciable cost to European recovery, it can do more harm than good. The same will be true if concentration on the rearmament effort gradually encourages the assumption that war is inevitable and that therefore no further efforts are necessary toward the political weakening and defeat of the communist power in central and eastern Europe.

2. *The territorial scope of the Pact.*

The Policy Planning Staff is of the opinion that the scope of a pact of this sort should be restricted to the North Atlantic area itself, and

that attempts to go further afield and to include countries beyond that area might have undesirable consequences.

The possibility of a mistake in this respect is particularly acute because we ourselves showed uncertainty on this point in the preliminary discussions of the past summer, and the final record of the results of those discussions left open the possibility of the Pact's being extended beyond the North Atlantic area.*

This point was included largely at the insistence of the United States group. While it might do no great harm to have this possibility left open in the final text of the Pact, the Policy Planning Staff did not then, and does not now, agree with the thinking that lay behind this insistence.

The Staff considers that a North Atlantic security pact might properly embrace any country whose homeland or insular territories are washed by the waters of the North Atlantic, or which form part of a close union of states which meets this description. Under this concept, for example, Luxembourg would properly come into such a pact through its membership in the Benelux group. But to go beyond this, and to take in individual continental countries which do not meet this description would, in the opinion of the Staff, be unsound, for the following reasons.

In the first place, the admission of any single country beyond the North Atlantic area would be taken by others as constituting a precedent, and would almost certainly lead to a series of demands from states still further afield that they be similarly treated. Failure on our part to satisfy these further demands would then be interpreted as lack of interest in the respective countries, and as evidence that we had "written them off" to the Russians. Beyond the Atlantic area, which is a clean-cut concept, and which embraces a real community of defense interest firmly rooted in geography and tradition, there is no logical stopping point in the development of a system of anti-Russian alliances until that system has circled the globe and has embraced all the non-communist countries of Europe, Asia and Africa.

To get carried into any such wide system of alliances could lead only to one of two results; either all these alliances become meaningless declarations, after the pattern of the Kellogg Pact, and join the long array of dead-letter pronouncements through which governments have professed their devotion to peace in the past; or this country becomes still further over-extended, politically and militarily. In the first case, we would have made light of our own word and damaged the future usefulness of Article 51 of the United Nations Charter.

*[The footnote here omitted referred to paragraph 7 of Section II of the September 9 paper, p. 241, and quoted it in full.]

In addition, we would have weakened the integrity and significance of our own defense relationship with our neighbors of the north Atlantic community. In the second case, we would be flying in the face of the solemn warning recently given by the Joint Chiefs of Staff concerning the increasing discrepancy between our commitments and our military resources.†

A particularly unfortunate effect of going beyond the North Atlantic area would be that we would thereby raise for every country in Europe the question: to belong or not to belong. An issue would thus be raised which would be in many cases unnecessary and potentially embarrassing, and in some cases outright dangerous. If individual countries rejected membership or were refused membership, the Russians could make political capital out of this, either way. If, on the other hand, most of the ERP countries were permitted to join, and did so, this would amount to a final militarization of the present dividing-line through Europe. Such a development would be particularly unfortunate, for it would create a situation in which no alteration, or obliteration, of that line could take place without having an accentuated military significance. This would reduce materially the chances for Austrian and German settlements, and would make it impossible for any of the satellite countries even to contemplate anything in the nature of a gradual withdrawal from Russian domination, since any move in that direction would take on the aspect of a provocative military move.

Unquestionably, there is already a strong tendency in this direction; and it may not be possible for us to prevent a progressive congealment of the present line of division. But our present policy is still directed (and in the opinion of the Staff, rightfully so) toward the eventual peaceful withdrawal of both the United States and the U.S.S.R. from the heart of Europe, and accordingly toward the encouragement of the growth of a third force which can absorb and take over the territory between the two.

Unless we are prepared consciously to depart from this policy, to renounce hope of a peaceful solution of Europe's difficulties, and to plan our foreign policy deliberately on the assumption of a coming military conflict, we should not do things which tend to fix, and make unchangeable by peaceful means, the present line of east-west division.

The Staff feels that, rather than extending membership in the pact to non-North Atlantic powers, a much sounder way of enhancing the sense of security of other European countries would be through the

†Memo of the JCS of November 2, 1948, to the Secretary of Defense. NSC 35, Nov. 17, 1948. [Footnote in the source text. For text of NSC 35, "Existing International Commitments Involving the Possible Use of Armed Forces," see volume I.]

implementation of the suggestion, contained in Paragraph 9 of Part II of the record of the recent informal discussions†, that the members of the pact jointly make known their interest in the security of the given country.

This view of the Staff is without prejudice to the question of the desirability of the United States associating itself with any further regional agreements, as for example a Mediterranean pact, which question lies outside the scope of this paper.

RECOMMENDATIONS

In the light of the above, the Policy Planning Staff recommends:

(a) That it be accepted as the view of this Government:

(1) That there is a long-term need for a permanent formalization of the defense relationship among the countries of the North Atlantic area;

(2) That the conclusion of a North Atlantic Security Pact just at this time will have a specific short-term value in so far as it may serve to increase the sense of security on the part of the members of the Brussels Pact and of other European countries; but

(3) That, nevertheless, the conclusion of the Pact is not the main answer to the Russian effort to achieve domination over western Europe, which still appears to be primarily political in nature. The conclusion and implementation of such a pact should therefore not be considered as a replacement for the other steps which are being taken and should be taken to meet the Russian challenge, nor should they be given priority over the latter.

Approved:

Mr. Lovett

The Secretary

Disapproved:

Mr. Lovett

The Secretary

(b) That steps be taken to see that this view of the significance of a possible North Atlantic Security Pact be made available for background to all higher officials of the Department, to Missions in the field, and to the informational organs of this Department and other Government Departments, with a view to keeping it before the public and to combatting opposing concepts.

Approved:

Mr. Lovett

The Secretary

Disapproved:

Mr. Lovett

The Secretary

(c) That it be the policy of this Government not to encourage adherence to a North Atlantic Security Pact of any country not properly a part of the North Atlantic community.

†[At this point there appears, as a footnote in the original, Paragraph 9, Part II, of the September 9 paper, p. 241.]

Approved:

Mr. Lovett

The Secretary

Disapproved:

Mr. Lovett

The Secretary

S/S-NSC Files, Lot 63D351, NSC 9 Series

Memorandum by the Joint Chiefs of Staff¹ to the Secretary of Defense (Forrestal)

TOP SECRET

WASHINGTON, 24 November 1948.

NSC 9/6

Subject: Developments with Respect to Western Union.

The following report has been prepared at your request by the Joint Chiefs of Staff in accordance with the memorandum by the Executive Secretary, National Security Council, dated 29 October 1948.²

The following paragraphs of NSC 9/4 are particularly pertinent to this report:

[Here follow paragraphs three and five of NSC 9/4 which are identical to paragraphs three and five of "Instructions for the United States Representatives Attending the London Western Union Talks," page 189.]

DEVELOPMENTS

The over-all organization developed by the Western Union is shown diagrammatically in Enclosure "A".

At the invitation of the Permanent Commission, the U.S. Delegation, representing the Joint Chiefs of Staff, departed for London on 17 July 1948 to participate on a non-membership basis in the work of the Military Committee of the Five Powers. The detailed current organization of the Military Committee, which consists of the heads of delegations of each of the five Western Union Powers, is shown diagrammatically in Enclosure "B".²

The three initial main tasks of the Military Committee were to draft, for the approval of the Western Union Chiefs of Staff, papers on the following subjects:

- a. Five Power Defense Policy (Strategic Concept)
- b. Five Power Defense Organization (Command and Control)
- c. Inventory of Available Forces and Resources

The Chief [*Chiefs?*] of Staff of the Five Powers met in London in August and agreed to recommend to the Ministers of Defense a De-

¹ Circulated for information of the National Security Council on November 29 by its Executive Secretary, Sidney W. Souers.

² Not printed.

fense Organization, a Common Defense Policy, and a specific program for the development of an integrated air defense system. In September, the Defense Ministers met in Paris and agreed on the above recommendations. In addition, they approved the establishment of a Military Supply Board and recommended the establishment of a Finance Committee.

The basic objective of the Western Union Defense Policy is to convince Russia that war would not pay. However, if this policy fails and a major war should develop, the strategic concept envisages an immediate air offensive, a ground defense in Germany as far to the East as possible, an air defense of the countries of the western union, a defense of the Middle East and North Africa, the control of sea communications, and, finally, an offensive on land as early as possible.

In connection with the Defense Organization, approval was given to the formation of a Commanders in Chief Committee, composed of a Chairman; a Commander in Chief, Western Europe Land Forces; a Commander in Chief, Western Europe Air Forces (Tactical); and a Flag Officer, Western Europe. Field Marshal Montgomery, General De Lattre, Air Chief Marshal Robb and Vice Admiral Jaujard, were appointed to these positions respectively.

In early October directives to the members of the Commanders in Chief Committee were agreed and issued by the Western Union Chiefs of Staff. Basically, this Committee was charged with the preparation of detailed operational plans for common action in the event of war. Although actual executive command of forces would not normally be exercised by members of the Committee in peacetime, these officers are to be prepared to assume operational control of such forces as may be made available for the defense of Western Europe by the Governments concerned. Rear headquarters of the Chairman will be established in London with all other headquarters located on the Continent. Staffs of all combined headquarters are being integrated and organized in order to meet an emergency, and to produce the necessary defense plans.

On 8 November 1948 Field Marshal Montgomery held a meeting with the Military Governors at Melle, Germany. In his report on this meeting, General Clay has indicated that general agreement was reached with regard to the relationships between the Commanders in Chief Committee and the Military Governors, both as regards current planning and liaison and actual operational control in the event of hostilities. To ensure necessary integration of plans General Clay contemplates assigning suitable liaison officers to participate informally in the work of the Commanders in Chief Committee. Additional study and collaboration is required to complete detailed arrange-

ments and to clarify the responsibilities for operational control of U.S. forces in Europe in the event of hostilities.

In the meantime, the Military Committee has concerned itself with refinements in the strategic concept and command organization, while its service advisory committees have worked toward standardization of equipment, harmonization of procedures and consolidation of inventories of forces and resources. In view of the complexity of the problems involved in meeting the U.S. conditions (Paragraph 6, NSC 9/3) on over-all Western Union supplementary requirements (including a determination of world-wide commitments in areas other than Western Europe and an assessment by the Commanders in Chief Committee of forces required to implement coordinated defense plans), and the impossibility of completing these studies in time to enable them to be screened by the United States and a military aid program prepared for presentation to Congress, the Western Union Chiefs of Staff have approved an interim solution which calls for informing the U.S. Government of the following before the end of November :

a. Steps taken to plan Western Europe defense with means now available.

b. Progress made in standardization of equipment, coordination of production and pooling of resources.

c. Their estimate of forces which they intend to maintain in the immediate future either in units or mobilizable during the first three months after M-Day.

d. Extent to which they can equip these forces, consistent with their economic recovery programs, from present stocks, from new production without external economic aid, or from new production with economic aid.

e. Extent of outside assistance needed.

f. Extent to which this outside assistance might be obtained from other than the United States.

Although the probable over-all military aid requirements of the Western Union are not as yet subject to accurate estimation, every indication is that they may *ultimately* reach a magnitude comparable to the requirements of the European Recovery Plan.

Much remains to be done, and considerable time must elapse before the minimum requirements for the defense of Western Europe could be met, even with a substantial and long-range U.S. military aid program. Progress to date, however, is encouraging. Future progress should be much more rapid, now that basic decisions have been taken by the Five Powers at governmental level, and the responsibility for the preparation of operational plans has been given to the Commanders in Chief Committee.

The contribution of the U.S. Delegation to the developments indicated above has been considerable. In addition to the strong psychological stimulus which its presence has generated, the U.S. Delegation,

through its active participation in all levels of committee discussions, has been able to insure that the work of the Military Committee progressed generally along lines most favorable to the security interests of the U.S.. Through the frequent reports of the U.S. Delegation the Joint Chiefs of Staff have found it possible to keep abreast of developments and to take action, in appropriate instances, to promote U.S. military interests.

PROPOSED ACTION

It is contemplated that the Joint Chiefs of Staff will:

a. Continue U.S. military participation in the Military Committee of the Five Powers on a non-membership basis.

b. Appoint a U.S. representative to participate in the work of the Chiefs of Staff Committee on a similar basis and in general conformity with the terms of reference established for the U.S. Delegation with the Military Committee.

c. Conduct a careful screening of the military requirements to be submitted by the Western Union under the interim plan.

d. Clarify the current and future relationships between the Commanders in Chief Committee and the U.S. Military Commander in Germany and Austria.

ISSUES TO BE DECIDED BY UNITED STATES GOVERNMENT WITHIN COMING WEEKS

a. Should the United States embark on a military assistance program for the Western Union?

b. Pending development of the complete military supply plan as envisaged by NSC 9/3, should the interim report now in process of preparation by the Western Union as a matter of urgency, be utilized as the basis for an initial Western Union military aid program?

c. What governmental agency should be designated or established to screen and implement Western Union coordinated military supply plans?

d. Since a defense of Italy would contribute materially to an effective defense of Western Europe, should Italy be included in any military aid program for the Western Union even though she is not now a member?

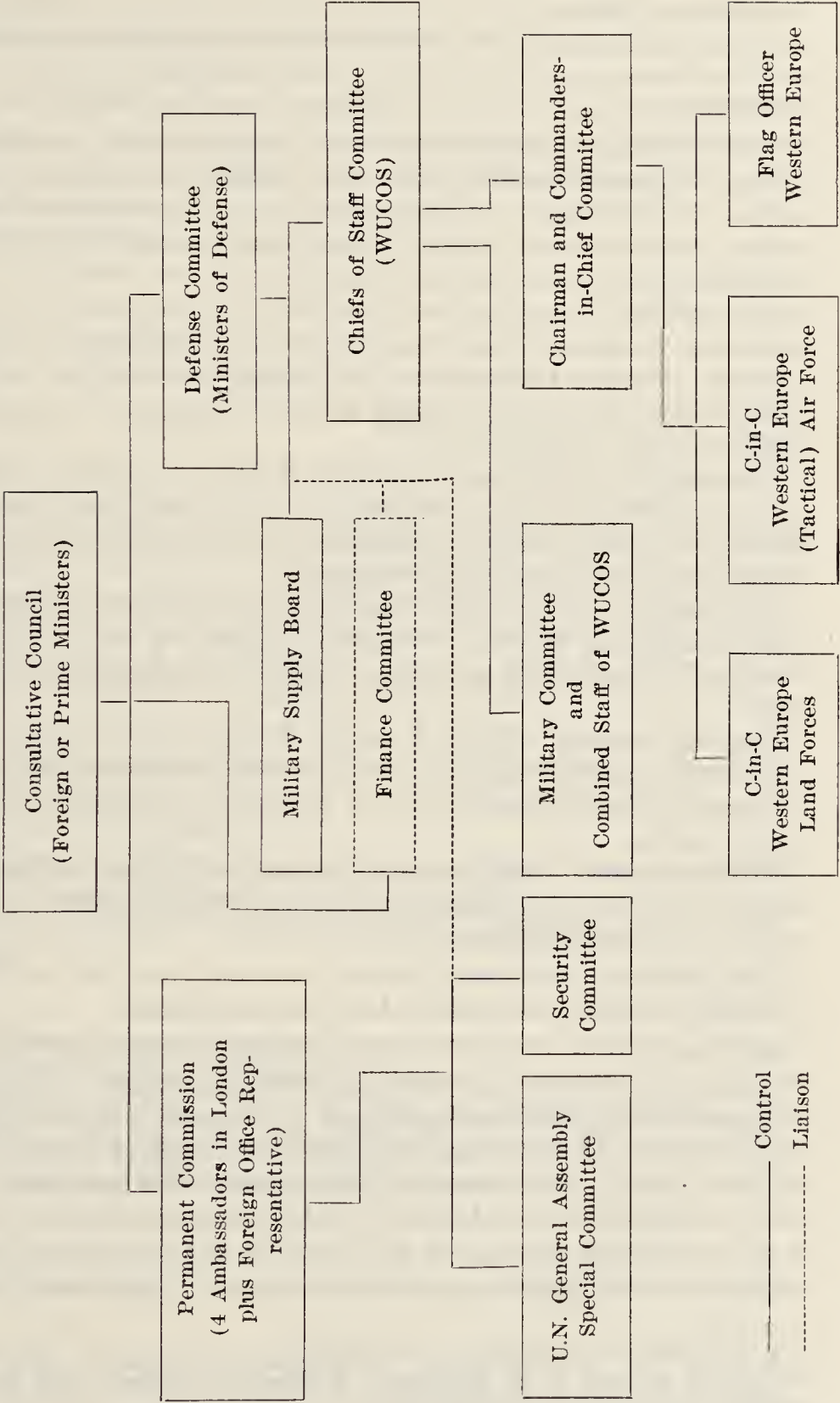
e. Since substantial military aid to the Western Union in the immediate future could be provided only by utilizing currently available stocks, to what extent would a diversion of these resources from the National Military Establishment be justified by the probable result in over-all United States security?

f. What reciprocal assistance should be required in connection with a military aid program for the Western Union?

For the Joint Chiefs of Staff:
WILLIAM D. LEAHY

*Fleet Admiral, U.S. Navy,
Chief of Staff to the
Commander in Chief of the Armed Forces*

Enclosure "A"
WESTERN UNION ORGANIZATION



867.00/11-2648 : Telegram

The Ambassador in Turkey (Wadsworth) to the Secretary of State

CONFIDENTIAL

ANKARA, November 26, 1948—3 p. m.

839. 1. Acting Foreign Minister Balta invited me call yesterday to receive "important communication from Turkish Government". Recalling he had earlier mentioned informally his Government's satisfaction on learning of Foreign Minister's conversation with General Marshall in Paris,¹ when projected Atlantic Pact was "touched on in general fashion"; recalling also press telegrams of preceding week indicating "serious progress of negotiations and possibility that Scandinavian countries, Portugal and Italy might be invited to participate", he read me in French formal memo substance of which follows (full translation by air pouch) : ²

Information indicates exchanges of views are entering concrete phase to establish organism designed primarily arrest Soviet expansionism. As Turkey firmly opposes this expansion in Middle East and Mediterranean basin, it should participate.

As Turkey is resolved defend itself against aggression, it logically seeks reinforce its position. Its non-participation in such organism would disillusion Turkish people and might well encourage aggressive aims.

American military aid and President Truman's declarations constitute important reinforcement. None the less Turkey feels its position should be consolidated by formal act such as its inclusion in any such grouping.

Earlier *démarche* in this sense has been met with suggestion Turkey should await result American elections. These leave no doubts to continuity and direction American policy.

Thus Turkish Government believes time has come pose question. It would be happy learn opinion American Government.

2. Then, handing me memo, Balta emphasized three points: appreciation of American aid; determination resist [aggression; in event of?] any mutual defense undertakings to Western European countries, especially if involving Mediterranean, Turkey *too* should be *embraced* thereby. He commented "one cannot cut Mediterranean in two". He added that he had already handed British Ambassador copy of memo omitting reference to American aid and that, while copies would be sent Turkish Ambassadors Washington, London and Paris,

¹ Reference here is to Marshall's conversation with Necmettin Sadak on November 9, reported to the Department in Marshall's telegram Delga 684 of November 10, not printed (840.20/11-1048).

² Not found in Department of State files.

this would be only for their information. He hoped US and British Governments might consult and give favorable answer:

3. British Ambassador tells me substantially similar remarks were made to him and that in telegraphing his government he pointed out importance of enquiry by saying that rarely if ever before had Turkish Govt when discussing such matters given him written communication.

Sent Department 839, repeated London 22.

WADSWORTH

840.20/11-2648: Telegram

*Mr. John Foster Dulles to the Secretary of State*¹

TOP SECRET PRIORITY PARIS, November 26, 1948—6 p. m.

Delga 948. For Lovett and Hickerson. Foreign Minister Lange, Norway, informed in detail contents Gadel 554, November 22.

He immediately saw implication of words "associated with" and words "in association with" and stated answer his first question to Secretary very clear. He requested a repetition of our views and then stated would be most helpful if he could have a memo thereof not in form of a formal note through Embassy, but handed to him, in his absence, to his deputy Langhelle here quite informally. Lange's only other comment was to effect military assistance will be on same basis as economic assistance. Lange's attitude indicated he expected answer his second question to be what it was, but that he probably disappointed as to first question.

Delegation requests instructions as to whether paraphrase message contained Gadel 554 may be given Norwegians.²

Sent Department Delga 948, repeated Copenhagen 36, Stockholm 67, Oslo 27.

DULLES

¹ Dulles was in Paris as a member of the U.S. Delegation to the Third Session of the United Nations General Assembly.

² Marshall, recently returned to Washington, instructed Raynor in telegram 4601 to Paris dated December 1, that when paraphrasing Gadel 554 for the Norwegians, he should indicate that "other nations" meant those not participating in collective arrangements or otherwise specifically provided for by legislation. (Telegram 4601 not printed: 840.20/12-148.)

840.20/11-2648: Telegram

The Ambassador in Sweden (Matthews) to the Secretary of State

TOP SECRET STOCKHOLM, November 26, 1948—2 p. m.

1307. In compliance Deptel 812, November 22, 11 a. m., I conveyed to FonOff Secretary General Bech-Friis this morning, orally but offi-

cially, substance of Department's statement that regional arrangement based on neutrality incompatible with intent Vandenberg Resolution,¹ et cetera. I was careful to emphasize that we wish to avoid any appearance of pressure and indicated that we were really not much interested in Swedish defense policy. I said that our primary purpose was to avoid any possible misunderstanding in the light of the many confused statements appearing in the press and in the light of Ambassador Boheman's recently expressed regret that Sweden has been encountering difficulties in obtaining military supplies in the US.² I told Bech-Friis that I believed we were likewise informing the Norwegians and Danes in similar vein in view of the interest which both countries had expressed in obtaining American military equipment, I added that those two countries seemed important to the national security of the US within the meaning of the Vandenberg resolution.

Bech-Friis who is usually extremely cautious and reticent took careful note of my remarks and said he would bring them to the attention of Undén on his expected early return from Paris. He hesitated a few moments and finally made the following illuminating comment: "I understand your position. The problem for us is a difficult one. We had hoped that by making clear our determination to defend ourselves against attack we would be able to obtain the needed means to strengthen our defense and that our attitude would be sufficient to assure outside aid". (See mytels 1256, November 8 re General Jung's remarks³ also Boheman's recent New York speech and 1267, November 12 and AGC 123 November 5).⁴ I said that the basis of our policy was the all-important Vandenberg resolution and that both the resolution and the committee report emphasized that the obligations and assistance must be mutual. I said that American public opinion would never support any one-way arrangement.

Sent Department 1307, repeated Oslo 56, Copenhagen 63, London 255, Paris 374.

MATTHEWS

¹ *Ante*, p. 135.

² Matthews is probably referring here to a memorandum by Hickerson dated November 5 recording a conversation he had with Boheman in which the latter commented on the difficulties increasingly encountered by Sweden in obtaining from the United States and Britain military supplies which it could not produce itself. (Memorandum not printed: 758.00/11-548.)

³ In telegram 1256, not printed, Matthews reported on a conversation he had on November 6 with General Jung, Commander-in-Chief of the Swedish defense forces, during which Jung assured him that Sweden would defend itself by all possible means if attacked and that he was confident his government would order such defense (758.00/11-848).

⁴ Telegram 1267 from Stockholm, not printed.

840.20/11-2748

*Memorandum of Conversation, by the Chief of the Division of
Western European Affairs (Achilles)*

TOP SECRET

[WASHINGTON,] November 27, 1948.

Participants: F. R. Hoyer Millar, Minister, British Embassy
T. C. Achilles, Chief, WE

Mr. Hoyer Millar called to read me a telegram received this morning from the Foreign Office stating that the Permanent Commission had yesterday reached general agreement on a "draft" of the North Atlantic Treaty to be used "as a basis for discussion". The draft was to be sent to the British Embassy here by pouch. Certain minor differences of opinion would be reflected in the instructions sent to the five Ambassadors separately by their Governments. The Foreign Office thought those instructions should be received within a week. The Foreign Office believed that the seven Governments represented in the talks should reach "firm but not final" agreement on the text before consulting other governments.

I told Mr. Hoyer Millar that any attempt to draft a text at this time seemed premature. As soon as we had obtained the views of the Brussels Treaty Governments we would wish to consult a number of Senators and Congressmen on the broad outlines of the Treaty but we certainly did not want to have any text in our hands when we did. I also said it would be unfortunate to confront other North Atlantic governments with a text when we took preliminary soundings with them. Those governments would presumably wish either to participate substantively in drafting a text or to wait until the US had ratified before taking a decision. I did not think they would like an in-between approach of being given a text on a take it or leave it basis. I also told him that we envisaged a minimum of three months between the resumption of exploratory talks and submission of a treaty to the Senate, if one were concluded. The next round of exploratory talks would take at least two weeks, the Congressional soundings at least that long, soundings with other governments at least that long and probably six weeks to draft a treaty either in a formal conference or in some expansion of the talks here. We would be gratified if some way could be found of proceeding more quickly but we did not see any means of doing so.

He indicated general agreement with the foregoing and said he would telegraph it to the Foreign Office.

840.20/11-2948: Telegram

The Ambassador in Belgium (Kirk) to the Secretary of State

SECRET

BRUSSELS, November 29, 1948—6 p. m.

2087. Talking further with Spaak on North Atlantic pact along lines Deptel 1566 November 22 I found his position on original membership already modified possibly due to word from Silvercruys and now he says he feels of course any country US wishes invite join such regional association will be quite satisfactory to Belgium. However he goes on say that naturally very careful diplomatic preparation will be required in each particular situation to ensure that sentiment and timing are ripe for favorable response since any hesitation or refusal to accept could be exploited to disadvantage of all. For example he says MacBride has intimated Ireland's adhesion to any pact including UK would be conditioned on Northern Ireland being united to Eire (as in London's 4998, November 25)¹ and when asked his own reaction Spaak shrugged shoulders and said this shows how carefully one must proceed in negotiations as delicate as these.

Spaak indicated De Gasperi had been cautious and reserved during conversation last week on subject of Italian participation in Brussels Pact saying Italian national sentiment had not yet sufficiently crystallized and observed that in democracies adequate popular support was essential. De Gasperi was stated to have expressed need for time to educate his people and mentioned considerable feeling against UK prevalent in Italy today.

Contrary to Spaak's apprehension that De Gasperi would drag in question of future of Italian colonies in connection with Italy's adherence to Brussels Pact (not in connection with Atlantic pact mytel 2052, November 20¹) Spaak says De Gasperi did not try link two subjects nor did he intimate that revision military clause Italian treaty essential prerequisite. In this connection De Gasperi reportedly remarked that it was premature to worry about Italy's military strength since only five divisions of Italy were currently in existence out of possible total of twenty and rest could not be equipped in immediate future.

In respect of geographical area to be comprised in Atlantic pact Spaak realized our need for northwest African bases but is dubious regarding wisdom drawing thirtieth parallel north latitude as southern limit. (This delimitation heretofore unknown me.) He says he is uncertain how far to eastward we intend to go remarking that evidently Turkey, Greece and Egypt are important factors in defense of "North Africa". But what concerns him most from Belgian angle is drawing

¹ Not printed

this line so far north of Congo. To present and defend pact before his Parliament which makes no explicit provisions for protection Congo (with its uranium deposits) will require some considerable cogitation and political acumen. (I recommend you reflect on this and perhaps reassure Belgians as to our attitude.)

While Spaak freely accepts our strategic need for inclusion Iceland and Greenland he seemed skeptical concerning further positive Scandinavian contribution since he estimates only factor of military strength that region is Swedish army. He is not hostile in any way to such extension of membership and he appreciates Denmark's suzerainty over Greenland. Portugal he supposes will retain her traditional relationship with England and thus automatically support any regional combination to which UK is party. In connection with importance Portuguese position he remarked that air bases in Azores seemed already available but re general question of Iberian Peninsula he was very reserved about Spain saying this was separate and serious political problem.

In matter of rate of progress Spaak still hopes that views five nations Brussels Pact can be presented examined and agreement reached with Canada and US by early January. I think he now accepts that definitive action on our part will take much longer especially in view our desire to broaden membership. I also think Spaak feels stronger regional groupment would result initially from keeping membership limited and building up military strength such close-knit organization. Nevertheless Spaak will appreciate strategic reasons for our predilection certain areas which I presume will be developed during forthcoming Washington conversations. However I felt in his reaction whole subject certain note of caution concerning excursions into countries where national political thinking was less advanced than ours as he commented several times on fortunate American international political situation wherein thinking on foreign policies was largely bipartisan.

Sent Department 2087, repeated London 200. Sent also to Rome, Paris and The Hague.

KIRK

840.20/12-348: Telegram

The Ambassador in Sweden (Matthews) to the Secretary of State

TOP SECRET

STOCKHOLM, December 3, 1948.

1331. Deptel 812, November 22 and mytel 1307, November 26, 2 p. m. In conversation with Cumming¹ last night Bech-Friis evinced considerable anxiety over the breadth and meaning of the word "aid" from which Sweden would be disqualified until the requirements of

¹ Hugh Smith Cumming, Jr., Counselor of Embassy at Stockholm.

members of the North Atlantic Pact were met. He said that if a Scandinavian defense pact materialized (presumably on Swedish terms) Swedish industrial resources would be strained to provide weapons for Norway and Denmark in addition to meeting Swedish defense needs, and even if such a union did not materialize Swedish armaments industry would be overworked to meet Swedish defense needs. It is important for Sweden, he said, that the flow of raw materials and components normally obtained from the US should not be shut off. Cumming said in his personal view he did not think normal trade affecting raw materials which might be essential to Swedish armaments industry would necessarily be affected but that our own defense requirements and those of any partners in an Atlantic union might so heavily increase demands that materials in short supply would not be available to other countries such as Sweden. (Bech-Friis later said he could find no specific statement in the Vandenberg resolution to the effect that a neutral country or group of countries would be deprived of American aid. He was told that this seemed very clear from the whole history of the resolution and that in any event it had now been given him as the official interpretation of the American Government.)²

Foregoing illustrates the growing anxiety of Swedish Government and military circles over the whole question of the Atlantic Pact and its effect in isolating Sweden. I had Department's views as set forth Deptel 812 and my 1307 conveyed orally to General Jung, Chief of Swedish Defense Forces, and General Nordenskiöld, Chief of Swedish Air Force. Their reactions are being reported separately by Air Attaché. It is interesting that both had apparently been very promptly informed of my talk with Bech-Friis as had Swedish Ambassador to Norway (Oslo's 731 to Department November 30).³

MATTHEWS

² In telegram 834 to Stockholm, December 4, not printed, Lovett commented as follows: "Appraisal Cumming gave Bech-Friis (Embtel 1331 Dec 3) accords with our opinion" (840.20/12-348).

³ Not printed.

Paris post file, Box 665, 1948 TS, 850 USFAP

*The Acting Secretary of State to the United States Special Representative in Europe (Harriman), Temporarily at Washington*¹

TOP SECRET

WASHINGTON, December 3, 1948.

DEAR MR. AMBASSADOR: In your letter of November 23, 1948 to Secretary Marshall, you pointed out the importance to you of under-

¹ The copy in the Paris post file was unsigned. It had been sent to Ambassador Caffery as "a document which evolved from Mr. Harriman's conversations with the Secretary and Mr. Lovett" by Mr. Hickerson, who also sent copies to Lewis W. Douglas and Robert D. Murphy.

standing our policies, or at least our approach, with respect to five broad questions. The Secretary touched upon certain of these questions in a general way in his subsequent conversation with you and Mr. Hoffman, but he has asked me to send to you the Department's written comments for your information and guidance. Accordingly, I am enclosing herewith, as Tabs 1 to 5 inclusive, five memoranda setting forth the Department's comments.²

I appreciate that these comments are not fully responsive to all of the broad questions raised by you. You will realize, however, that the uncertain and fluid state of world conditions makes impractical, if not impossible, fixed and rigid policies in certain of the fields mentioned. Moreover, final determinations of policy in certain of these fields will require consultation with other Departments of the Government. Nonetheless, I believe and hope that you will find the enclosures helpful.

As you point out, close coordination between ECA policies and our national policies on these important questions of foreign relations is essential. Therefore, we shall be most interested in any comments or further questions you may have with respect to these matters, and shall continue to keep in close touch with you on them as our policies evolve in response to changing world conditions.

[Enclosure—Tab 1]

Question raised by Mr. Harriman: "The general form of organization of western Europe which we desire to see developed and what we expect of the OEEC and its role in the over-all concept."

Comment:

1. Our objective should continue to be the progressively closer integration, both economic and political, of presently free Europe and eventually of as much of Europe as becomes free. We do not yet know

² A memorandum of December 3 by the Coordinator for Foreign Aid and Assistance (Labouisse) to the Under Secretary read as follows:

"I am attaching hereto proposed letter for your signature to Mr. Harriman in respect to his November 23 letter to the Secretary, as well as five memoranda setting forth the Department's comments on the questions raised in Mr. Harriman's letter.

"The memoranda have been approved by Messrs. Kennan—S/P, Nitze—E, and Achilles—EUR.

"Mr. Harriman is leaving this afternoon. I told him yesterday that I would bring the papers over to him today, as soon as they were approved in the Department."

what form of permanent over-all organization will best meet the needs of free Europe.

2. Integration must be developed voluntarily by the free European countries; it should not be imposed from without. However, the European governments are unlikely to take the bold and difficult measures essential to accomplish effective integration in the absence of continuing pressure, and assistance, from us. Our position should therefore be to encourage strongly the taking by the Europeans themselves of (1) any steps which promote the *idea* of European integration, (2) decisions as to the concrete objectives to be sought and their practical implementation as rapidly as the technical problems can be solved, and (3) other practical steps which tend towards closer working relations. We should avoid premature endorsement of any specific proposals or of any particular form of European organization.

3. During the next three or four years the move towards closer integration will probably develop along four main lines: (1) on a fairly broad but practical economic base through the OEEC; (2) on a geographically more restricted but probably even more concrete mutual security basis through the Brussels Pact and the North Atlantic Pact; (3) on a broad political base, probably vague in form at least in the immediate future, such as the British proposal for a "Council of Europe" comprising periodic meetings by Prime Ministers or other Cabinet Ministers with a committee and secretariat structure patterned on the United Nations or such as the French proposal for a consultative "European Assembly". These may be less productive of concrete measures but, by making "integration" a stated goal, will provide impetus to the solution of the many technical problems which must be met; (4) through a series of more limited sub-regional groups such as the Benelux Union, a closer drawing together of the Scandinavian countries and a possible French-Italian Customs Union.

4. The OEEC has a two-fold role: (1) to insure the success of the European Recovery Program and the achievement of a sound European economy and (2) to further economic cooperation and integration among the participating countries. Within the general framework of a progressively closer integration of Western Europe, the OEEC should be the principal organ for bringing about closer relationships in the economic sphere. It is our hope that through the OEEC the participating countries will take many practical steps toward genuine economic integration. It should be our policy to encourage the organization in this direction and to encourage the participating countries to strengthen the organization so that it can perform these functions.

At the present time it would probably weaken rather than strengthen the OEEC were it to be expanded to form the foundation for a political union.

5. "Integration" will thus proceed at a different pace in the various fields of interest and with somewhat different participants in each case. This is desirable if the pace is not to be set by the slowest.

6. It is essential for the British to take the lead in working towards closer European integration. However, at least at the present time it would be unwise both for them and for us were a position of strong European leadership to require a lessening in British ties with this country and the Dominions. By a series of overlapping but not necessarily co-extensive groupings, e.g. Brussels Pact, North Atlantic Pact, it should be possible to provide assurances to the British that real steps toward closer union with Europe can be taken without prejudice to their commonwealth relationships or their particular ties with this country.

7. In the view of the Department of State, we must recognize that the possibilities for the organization of Western Europe are definitely limited by the great area of uncertainty and disagreement surrounding the future of Germany. Long-range plans for European integration which are vague about Germany's participation or which imply admission of the Germans as second rate members, under handicaps and economic penalties not shared by others, are unrealistic. Until we can make progress in getting certain of Germany's neighbors, above all France, to take a constructive and healthy attitude toward Germany's future role in European affairs, projects of European Union more ambitious than ones outlined in paragraph 3 above are unlikely to be realized.

[Enclosure—Tab 2]

Question raised by Mr. Harriman: "Our attitude toward the Atlantic Pact both in relation to Western Union and the participating countries."

Comment:

1. A North Atlantic Security Pact is an essential supplement to the Marshall Plan. It is designed to contribute to restoring a sense of security in the area, facilitate the development of defensive power throughout the area, and act as a deterrent to outside aggressive forces. It should support recovery by giving the Europeans greater confidence to proceed with their efforts in this direction.

2. It should be considered a supplement to and in no sense a replacement for the efforts toward European unity, which, we feel, as stated in Tab 1, that the European countries should make. In the exploratory conversations held here from July to September with representatives of the United Kingdom, Canada, France and Benelux, it was agreed that additional steps ought to be taken "to bring about a substantial and permanent degree of cooperation and unity" among the peace-

loving countries of Europe, but that in addition to these steps "those nations having a primary interest in the security of the North Atlantic area should collaborate in the development of a regional or collective defense arrangement for that area". It is clear that we are dealing here with two separate, though complementary and overlapping, concepts and that they should not be confused with one another.

3. We consider that initially the North Atlantic security pact should embrace the United States and Canada, the Brussels powers, and the "stepping stone countries"—Norway, Denmark, Iceland, Portugal, and perhaps Ireland, and provide satisfactorily for Italy. It is our present feeling that Italian membership in a North Atlantic Pact should come about through membership in the Brussels pact but that the latter question, including that of timing, is one for decision by the present parties to the Brussels Treaty.

4. We do not feel that a North Atlantic Security Pact should bear any relation to the OEEC as such. On the contrary, we consider it important that the OEEC should retain at least at the present time its specific character as an international organization neither political nor military in nature and devoted solely to the purpose of European economic recovery and the promotion of economic integration. Any deviation from this principle would reduce tremendously the drawing power which OEEC still has for Eastern European countries and, accordingly, the strain which its existence therefore places on relations between those countries and Moscow. It would also cause difficulties for countries such as Sweden and Switzerland which are prepared to participate in economic cooperation but presently doubtful about political or military measures.

5. The Brussels Treaty system will continue as an integrated group within the North Atlantic system and its existing military machinery will be continued merely with formalization of existing U.S. participation and the probable participation of other North Atlantic countries. We regard the Brussels Treaty system, as Bevin originally described it, as the nucleus of a Western European union.

[Enclosure—Tab 3]

Question raised by Mr. Harriman: "Our general approach to the rearming of Western Europe, particularly in respect to Western Union and how far we are prepared to integrate our own security plans."

Comment:

1. A program for the rearmament of Western Europe, in connection with the North Atlantic security system, has top priority on the legis-

lative programs of both the NME and the Department for the forthcoming session of Congress. It will be based on "continuous and effective self-help and mutual aid" and we desire that it consist primarily of implementing a coordinated defense and supply program now being elaborated by the Brussels Treaty Permanent Military Committee with U.S. participation, with each Government contributing what it most effectively can.

2. In the Western Union countries generally, a rearmament will require some increase in domestic expenditures for military purposes. It will call for some diversions of resources from recovery programs. However, a successful program of common defense with U.S. participation and assistance will bring a degree of security which could not be attained in any other way and which should facilitate recovery through increased confidence.

3. On the other hand, we feel strongly that economic recovery must not be sacrificed to rearmament and must continue to be given a clear priority. We do not feel that rearmament expenditures should be permitted to bring about any serious reduction in the allotment of European resources to the recovery effort.

4. It is equally important that in the development of a rearmament program for Western Europe, due consideration be given to the limits of U.S. financial and material aid available. Thus, a balance should be struck between the needs of our domestic economy, our own rearmament, our contribution to European recovery and our contribution to European rearmament.

5. The Western European countries should not be permitted to formulate a program of rearmament of substantially larger dimensions than the European or U.S. economics could support under the principles outlined above. The psychological effect on the Western Europeans of the knowledge that a program agreed by their military leaders could not be met might be disastrous. Such knowledge would be a boon to the USSR.

6. It is, therefore, considered important that U.S. representatives participate fully in the development of a Western European rearmament program to ensure that the end product is realistic, having in mind European and U.S. resources.

7. Because of the impact of a rearmament program on the European economy, close cooperation will be necessary in Europe between the U.S. representatives working with the Western Union military staff planners, particularly our representative on the Western Europe Military Supply Board as soon as one is appointed, Mr. Harriman's ECA Mission, and a political representative to be designated by the State Department for this purpose at once. There must also be close coordination between the Europeans of the economic aspects of rearmament and ERP. It is our understanding that the foreign ministers of the

Brussels Pact countries have arranged for their OEEC deputies to study this problem outside of OEEC.

8. The financing of rearmament programs and the machinery for handling them should be kept separate from ERP.

9. The Department of State considers it important that in the final determination of military aid to be rendered to European countries we bear in mind that it is the psychological effect, rather than the intrinsic military value, which is of primary importance in this connection. It is also necessary that such aid be accompanied by effective propaganda effort to popularize it with the European people (public).

[Enclosure—Tab 4]

Question raised by Mr. Harriman: "Our policies toward France, particularly in the manner in which our influence can be exerted toward the attainment of greater political and financial stability."

Comment:

1. We are attempting to follow two general principles with respect to France:

(a) We should support any non-Communist French Government by all reasonable means short of direct interference in the internal affairs of the country.

(b) Economic aid to France must follow the terms and spirit of the Foreign Assistance Act and the bilateral agreement. We cannot continue much longer to provide aid in amounts substantially larger than those which would be justified if France put her own house in order. This will necessitate a steady though gradual reduction in the volume of aid below present levels over the next few years.

2. We face a dilemma in attempting to reconcile these two principles. Since France is saddled with the most powerful and most highly organized Communist party of any country in Western Europe, the attainment of the objectives of ERP in that country will inevitably be more costly than a strictly economic approach to the problem would warrant. The goal of ERP is fundamentally political and France is the keystone of Continental Western Europe. Further deterioration of the French situation, economic and political, which would be certain to result if ERP aid were drastically reduced in present circumstances, might nullify the whole program. The effect on Western Europe should France succumb to Communism needs no comment.

3. The dilemma would not be solved by the elevation of de Gaulle

to power. A de Gaulle Government would be faced by the same difficult economic, financial and social problems as beset the present government and would, we believe, have no effective program for resolving them. However, it is believed that, if de Gaulle did come to power in the near future, his attitude toward French labor would make even more difficult the building of the cooperative French national spirit needed to bring about real economic recovery. There would be very real possibility of even greater deterioration and of widespread civil disorder.

4. Because of the factors mentioned in paragraph 3 and of de Gaulle's attitude on the German situation, we should not take any action which could be interpreted as exerting our influence in favor of de Gaulle. Any high level contact with de Gaulle at this time would be so interpreted. On the other hand we should avoid action now which would increase our difficulties in dealing with General de Gaulle in the event that he does come to power.

5. It is of prime importance that the French party leaders and the French people be made to realize the essential necessity for France's own good of developing a strong, unified and cooperative non-Communist government. In the final analysis, the decision rests with the French leaders and people. There are definite limitations on the pressures that the U.S. can exert to this end.

6. The senior U.S. representatives dealing with the French should

(a) emphasize at every possible opportunity to the French non-Communist party leaders the essentiality of putting the French house in order constitutionally, politically, economically and financially, impressing upon them the urgent need for such measures as increasing taxation, decreasing government expenditures, adopting credit controls, etc. We should also stress to French leaders the necessity for calling on the agricultural and commercial classes to make their fair contribution to French fiscal and economic stability. Concurrently we should point out that any real increase in the standard of living of the workers will depend upon the successful implementation of the above measures and upon an increase in production.

(b) stress as often as possible to French leaders of all non-Communist parties, the difficulties which France's political instability and slow rate of recovery will entail in connection with obtaining further appropriations from Congress. We should emphasize that we are not attempting to take sides in internal French politics and that our primary interest is the development of a strong, unified and cooperative non-Communist government; that the American people and Congress will not understand the reason for continuing substantial aid to France if all French non-Communist party leaders fail to join together in establishing and supporting the type of government required to put the French house in order. Without giving advice concerning specific steps which might be taken, we should impress upon these leaders the absolute necessity of further action which will facilitate the presen-

tation of the question to Congress. We should also caution them that, in the very nature of things, they must plan for steady though gradual reduction in the volume of aid.

7. In the event de Gaulle should come to power, we should maintain the same line. While it is doubtful that any argument will make much impression on the General himself, particularly in view of his recent remarks to the effect that France has managed to exist several centuries without Marshall Plan aid, the various political leaders who will have rallied to his banner could probably be counted on to cooperate with us in this respect. We should also impress upon these leaders the necessity for adopting a more liberal attitude toward French organized labor than is presently contemplated by General de Gaulle.

9. It is recognized that France is one of those places where the situation is in so extreme a state of flux, and so sensitive to almost unpredictable shifts and moods of public opinion, that little useful purpose can be served by attempting to draft in Washington a detailed program which can effectively and usefully govern operations on the spot. Accordingly, there is need for the best possible local coordination and integration in Paris of all phases of the United States Government effort: particularly the diplomatic, ECA, military and covert political warfare operations. We need there something in the nature of a tactical command for the day by day development and implementation of policy on the spot.

The Department recognizes that present arrangements are inadequate and will take action as soon as possible to achieve a better arrangement.

[Enclosure—Tab 5]

Question raised by Mr. Harriman: "Developments in our policies in Germany."

Comment:

1. We must not permit Germany to be drawn into the Soviet orbit or be reconstructed as an instrument of Soviet policy. The Soviets have been intransigent toward all previous attempted quadripartite solutions not involving this probable result. Therefore, our current policy must be to bring Western Germany into close association with the free democratic states of Western Europe and enable it to contribute to and participate in European economic recovery. Hence we are working with the UK, France and the Benelux countries toward implementing a provisional settlement in Western Germany. This

program, as embodied in the London Agreements, should make possible economic recovery in Western Germany through full participation in ERP and the establishment of a provisional government while at the same time providing for security against German military revival and assuring the ERP countries equitable access to the resources of the Ruhr through an International Authority.

2. In the implementation of the London Agreements we have encountered serious difficulties with the French. The crux of the problem is French concern over Germany's rapidly reviving economic power and the high level, relative to France, which it must be allowed to reach if Germany is to become self-sustaining. We must take all possible steps to allay French fears consistent with conditions which would give Germany a chance for economic recovery. We should try to convince the French that their security can be achieved by measures such as the London Agreements for consultation among the three occupying powers in the event of any threat of German military resurgence and the creation of a joint security board with powers of inspection, the agreement on limitations on German production, the agreement to establish an International Authority for the Ruhr, and the Brussels and North Atlantic pacts. These measures, with full U.S. participation and support, should more effectively promote French security than an effort to keep Germany at an economic level below that which is necessary for her to become self-sustaining and make her full contribution to ERP or to impose controls which would make impossible German recovery.

3. We should push the review of plants for retention in Germany to completion and wind up the reparations program as quickly as possible. In order to attain that objective a major problem which must be resolved promptly is the question of possible revisions in the presently agreed limitations on level of industry. On economic grounds upward revisions, particularly in steel, may be desirable. We understand that there is a possibility that the Humphreys Committee will recommend to ECA the retention in Western Germany of steel producing plants (presently slated for dismantling and reparations) which would result in a substantial increase in steel capacity above presently agreed levels. We also understand that Mr. Harriman may feel that dismantling of steel plants should cease, because of the world steel shortage. However, we must consider whether negotiation of an upward revision with the French and the other countries concerned is politically possible or desirable at this time.

4. The current improvement in the German economic picture and the likelihood of Germany's emerging, at least partially, from occupation status suggest the desirability of reviewing present administra-

tive arrangements within the U.S. Government for the formulation and implementation of German policy. The desirability of having Germany enter into ERP and the Western European community on as equal a basis as possible with the other countries suggests the importance of more effective control over German policy by the Department of State, in consultation with ECA and the Department of the Army.

840.20/12-1048

*Minutes of the Eighth Meeting of the Washington Exploratory Talks
on Security, December 10, 1948, 3:00 p. m.*

TOP SECRET

MR. LOVETT suggested that procedure be established in the light of whatever suggestions or recommendations might have been received from abroad. As for the United States procedure, as soon as a workable paper had been produced the Department would consult the interested executive agencies and make recommendations to the President. Then, following the judgment of the President, discussions would be held with the appropriate Congressional leaders based on a fairly definite document. While it would be difficult to fix a definite time schedule, he wished to move as rapidly as possible.

M. LE GALLAIS,¹ in response to Mr. Lovett's welcome, stressed the importance which his country attached to the task and his faith in the work of the group and its working party.

MR. BONNET recalled that the talks last summer had made it possible to send very complete information to the various governments, which had made a thorough study of the documents in order to concert their views. The Permanent Commission in London had discussed the texts. The Ambassadors had accordingly received the coordinated views of their governments² and also special instructions from each government. They were ready to resume consideration of the outline of articles of the treaty which had been drawn up by the group last summer.

He thought the first question to be decided was that of procedure. A second question which he was prepared to discuss at any time, was

¹ Hugues Le Gallais, Luxembourg Minister in the United States.

² The most comprehensive papers prepared for the renewed discussions in Washington were 1) the so called "London Paper" entitled "Notes on Paper of September 9," prepared in London by the Permanent Commission of the Brussels Powers and submitted in Washington on December 11, 1948, and 2) the Canadian Government's "Commentary on the Washington Paper of September 9," dated December 6, 1948. These papers, neither printed, are in the PA/HO Research Files of the Department of State, Lot 57-D271.

that of which other countries should eventually be invited to join, including when and how they should be approached.

MR. LOVETT asked if there were some basic paper which had been agreed upon by the Brussels Pact signatories on which the present group might work.

MR. VAN KLEFFENS replied that there had been time to clarify thoughts by trying to find some formulas which might be submitted in a purely provisional way, but not with the intention of confronting the US and Canada with a sort of European draft, a procedure to which they might well object. He thought that the more satisfactory procedure would be to resume discussions by stating frankly the views on each clause, taking the September 9 paper as a starting point. It would be for the US and Canada to decide. He asked whether it would not be more satisfactory to work together on the various provisions and arrive at a solution together rather than to have the Ambassadors present a text the US and Canada to criticize. He thought that the work should represent a common effort.

MR. LOVETT said that his own feeling was that it might serve a more useful purpose if there were a summary of some sort, not necessarily a draft treaty, which indicated the end result of the discussions in Europe.

MR. WRONG stated that he wanted to know what the discussions sought to accomplish in the near future. Was it contemplated that the conversations would be continued until a tentative draft had been agreed, or did the discussions aim at clarification of the points left vague in the paper of September 9. If the group was aiming at a draft, then a tentative draft from the European Governments should help. On the other hand, expansion of the annex of the September paper would require everyone to put his cards on the table soon anyway.

MR. LOVETT considered that the element of time was important, as well as the necessity for getting the substance accurately set out. He thought it would be useful to aim at the end product, a pact of some sort, rather than to continue to discuss the various points more abstractly. If a treaty were to be concluded it should be presented to the Senate as early as possible in the Session.

He stated that although the US representatives had no draft, they had identified the types of problems and tried to indicate, in dealing with those problems, certain forms of language from the Rio Pact, etc., which might be satisfactory.

BARON SILVERCRUYS said that the conversations had been suspended three months ago because a point had been reached where further progress required that the views of the Brussels Pact Governments be obtained. The views of the Permanent Commission and also of

the individual governments had now been received by the Ambassadors. The resulting instructions³ put into a concrete form, article by article, the views of the Permanent Commission on the paper produced in the earlier talks in Washington. Whether time would be saved by the US and Canadian representatives receiving the paper in question was for them to decide. On the other hand, it might be better to go over the September paper article by article.

He remarked that he had been impressed by the observations of Mr. Van Kleffens to the effect that there might be an advantage psychologically and politically in arriving together, in one joint effort, at some sort of draft rather than being confronted by one draft or another independently prepared.

MR. LOVETT suggested that the paper in question be labelled a "summary of suggestions". He believed that the present type of exploratory discussion had gone far enough and that there was a need for greater definition. Moreover, the discussion, rather than proceeding solely item by item, should include some summary, either documentary or oral, of the condensed views of the Permanent Committee.

MR. HOYER-MILLAR stated that the group's instructions had speed as the object and, therefore, it was entirely in the hands of the United States and Canada to decide how the task could best be accomplished. The Permanent Commission had tried to put into writing, and perhaps in more treaty-like form, the ideas which were expressed in the earlier stages in Washington. However, the Permanent Commission had been very conscious of the importance of not in any sense submitting a paper on a take-it-or-leave-it basis. If the US and Canada thought it a more desirable and more expeditious procedure, there would be no objection to submitting the document, provided it was understood that it was only a working paper.

MR. BONNET supported Mr. Hoyer-Millar. He thought that all present were anxious that the US representatives might facilitate dealings with the Executive agencies and the Congressional leaders. Therefore, it was largely up to the US and Canada to decide on what procedures should be followed.

He said that the views he had expressed earlier were prompted by conversations he had had with newspapermen who had stated that it would create many difficulties if a treaty text were presented to the US and Canada by the Brussels Treaty representatives. He did not want to compromise the success of the whole mission by creating such false impressions.

MR. LOVETT stated that the US and Canada were confronted with a somewhat difficult problem. A communiqué had been issued by the

³ The "London Paper." See footnote 2, p. 310.

Consultative Council on October 26⁴ in which it was said that there was agreement in principle on the desirability of concluding a North Atlantic treaty and on the next steps to be taken. On November 26 there had been a further report from London to the general effect that the Permanent Commission had finished its work and that instructions had been sent to the five Ambassadors. Consequently, the press wanted to know exactly what the treaty was before it was drawn up. In his conversations with various Congressional leaders, Mr. Lovett found them by and large very sympathetic to the North Atlantic community but wanting definition as to what was actually being discussed, countries involved, etc. The State Department could not discuss that aspect with them, but could only discuss the broad principle of association of the general agreement.

There was also some embarrassment caused by the fact that many of the signatories in the Rio Pact were getting apprehensive lest, through the formation of the North Atlantic Pact, they might more easily be involved in conflict. These questions had been disposed of simply by reference to the Rio treaty, but the apprehension still existed in some cases. Consequently, it was necessary to stop speculation at the earliest reasonable date and time was really the element which should be considered as of primary importance in the discussions. On the main question, he thought it had not occurred to the US and Canada that the suggestions received from the Permanent Commission would be something in the nature of a blueprint.

BARON SILVERCRUYS suggested that the matter might be presented to the US and Canada as suggestions of the Permanent Commission in the light of exploratory conversations that had taken place in Washington and the exchange of views which subsequently had taken place in London.

MR. LOVETT agreed that the paper should be regarded as a series of suggestions, many of them in response to queries as to the point of view of various countries, representing a composite view of the Permanent Commission and, in addition, the individual views of the individual countries.

MR. VAN KLEFFENS added that whatever experience he had gained in making treaties showed that having a text as a basis for discussion saved time. He was authorized to present a paper, understanding that it contained only suggestions, if this was deemed desirable by the group.

MR. LOVETT proposed that in order to be absolutely secure with the

⁴ For telegraphic text of the communiqué issued by the five Foreign Ministers of the Brussels treaty at the conclusion of their meeting of October 25-26 in Paris, see Department of State *Bulletin*, November 7, 1948, p. 583.

press, nothing be given him as a complete document, but that the suggestions be given to the working group at some later date. It was arranged that Mr. Hoyer-Millar should present them on the following day.

Mr. WRONG, referring to the question of publicity, said he had been considerably concerned by the discussion of the different effect of certain forms of the clause defining the *casus foederis*, and the differences between the Rio formula and the Brussels formula and possible compromises. He was worried because he did not want to see the value of the Rio formula depreciated, although the Rio formula was not as strong as his Government would like.

Mr. LOVETT agreed and proposed that in order to dispose of the question at the beginning, a simple press announcement be issued. He went on to say that nothing was said about the discussions during the preceding session and that the best procedure would be to continue that practice.

A suggested announcement (text attached) was approved and released to the press after the meeting.⁵

It was agreed that the next meeting would be held on Monday, December 13, at 3:00 p. m.

⁵ Text not found attached.

840.20/12-1148 : Telegram

The Acting Secretary of State to the Embassy in Belgium

TOP SECRET

WASHINGTON, December 11, 1948—12 noon.

1633. Geographic area to be covered by North Atlantic Pact not yet discussed here but we oppose inclusion any African territory in area defined. If this view prevails Spaak should have (Embtel 2087 Nov 29) less difficulty in Parliament.

We do not consider North Atlantic Pact could possibly cover Congo nor that any specific reassurance can be given Spaak now. However, it is obvious and self-evident our interest in Congo makes its security of utmost importance in US strategic thinking. If Belg Govt desires send Mil Rep US to express any specific views and explore possibilities, JCS would be prepared exchange views. This does not however imply US willingness undertake any specific commitments as result conversations.

Communicate substance above to Spaak.

LOVETT

840.20/12-1148: Telegram

The Minister in Iceland (Butrick) to the Secretary of State

SECRET

REYKJAVIK, December 11, 1948—2 p. m.

304. Foreign Minister informed of Deptel 225¹ on December 7 at which time he made no comment. British Minister advised. Today Foreign Minister called me to his office state matter had been discussed in government. He specifically brought out two points:

(1) That Iceland wishes to be consulted in advance of any formal invitation or announcement involving Iceland;²

(2) That it would be highly advisable that Norway and Denmark participate in pact if Iceland were expected to be participant.

He then stated that there would be no possibility of US having military base in Iceland, that that matter had been disposed of in 1946, but that Iceland's participation in general pact would be another matter, a fresh approach. He said informally that there is now live discussion among public in regard to pact. I told him I would convey his two points to my government promptly in accordance with his desire.

We will report press comment on pact as it continues develop and otherwise follow situation.

BUTRICK

¹ Telegram 225. December 7, to Reykjavik, not printed, regarding conversations with Canada and Brussels treaty countries on the desirability of an Atlantic pact (840.20/11-2648).

² This point was reinforced by Butrick in his telegram 315 of December 28 in which he informed the Department that Prime Minister Stefánsson, in a conversation of that date, had requested information on developments in the Atlantic Pact as they affected Iceland and had stressed the fact that Iceland did not want to be confronted with an invitation to join a pact already decided upon and made public. (Telegram 315 not printed: 840.20/12-2848.)

840.20/12-1348

Minutes of the Ninth Meeting of the Washington Exploratory Talks on Security, December 13, 1948, 2: 30 p. m.

TOP SECRET

MR. WRONG gave the following general outline of the views of the Canadian Government.

The discussion, MR. WRONG considered, fell into two parts: one of them—largely a job for the Working Party¹—was the study of the

¹ An "International Working Group" was established by the Ambassadors Group on December 13, composed of the five Brussels Powers, the United States and Canada. The U.S. delegation was headed by George Kennan, and those of the other countries consisted of high ranking officers of their respective embassies. Action summaries of three meetings, December 15, 16, and 17, not printed, are in the NATO Research File, Lot 57 D 271, an informal collection of material on NATO for the period 1948-1952 gathered by the Historical Office of the Department of State. The group decided to discontinue such summaries after December 17.

annex² to the Washington paper in the light of the views of the Permanent Commission. The Canadian Government would wish to make various suggestions in the Working Party about the text and substance of certain articles. The other part of the discussion, which did not arise in connection with the wording of the treaty, concerned several general problems. The first of these was the problem of which countries should be invited to participate, at what stage, and in what way.

The Canadian Government had stated early in October that they were prepared to join a treaty on the general lines of the annex to the Washington paper.³ MR. WRONG said that the Canadian Government would like to see the commitment clause in the treaty made as definite as possible, which probably meant as close as possible to the formula used in the Brussels Treaty. This was desirable both in order to achieve as exact a definition as possible of the nature of the obligation and in order to prevent the Soviet countries from belittling the importance of the undertaking in the Pact.

In relation to the area to be covered, the Canadian Government considered that no direct obligation should be incurred under the treaty except in respect of an attack upon one of the participants. There should, if possible, be no guarantee without reciprocity. It was recognized, however, that in certain cases it might be necessary to give certain limited or conditional promises of assistance, but that could not be settled until it was known who the participating countries would be.

The Canadian Government, MR. WRONG continued, would like the original members of the North Atlantic Pact to include Norway, Denmark, Sweden, Iceland, and Ireland, and wished every effort to be made to persuade these countries to join as full members. Italy, they recognized, raised special problems requiring further discussion; the Canadian Government had no pat solution to offer for Italy.

The Canadian Government continued to attach a good deal of importance to including in the treaty some general provision which would encourage economic and social collaboration between the members. MR. WRONG noted with some regret that the Permanent Commission had not favored the inclusion in the treaty of an article to this effect. The Canadian Government did not wish to advocate the establishment of new agencies in this field between the North Atlantic countries, but they did believe that the Treaty should be something more than a defense treaty or a defensive military alliance. The idea of the treaty was based on a community of principles and ideas, and

² *Ante*, p. 245.

³ Reference here is presumably to a visit by Ambassador Wrong to John Hickerson on October 13, when he conveyed this message orally (840.20/10-1348).

the Canadian Government wished this to be recognized in the body of the treaty rather than only by a phrase in the preamble. The proposals made in the third article of the annex of the Washington paper would meet the Canadian views. MR. WRONG said that recent experience had shown that if the resources of different countries in war are to be pooled, it is necessary to have close collaboration between the economic systems of the countries concerned. From the point of view of defense alone, therefore, he thought the treaty should encourage, in explicit terms, economic collaboration.

The Canadian Government believed that a political organ should be established under the Treaty as under the Brussels Treaty. A "Defense Organization", as proposed by the Permanent Commission, was not in itself sufficient. The proposed treaty contemplated consultation between the parties in the event of a threat to peace anywhere in the world. This would be a matter more for Foreign Ministers or their representatives than for Defense Ministers or Chiefs of Staff. There should therefore be, as the senior agency under the treaty, some sort of council on a ministerial level made up of Foreign Ministers or their deputed representatives. This council would have the task of creating any other agencies necessary to give effect to the treaty.

MR. WRONG urged that the treaty should be drafted in such simple and direct language as would be intelligible to people everywhere.

Finally, MR. WRONG suggested that a target date should be set for the final signature of the treaty. This might encourage governments to deal promptly with questions referred to them. He asked if the end of January would be a suitable date.

BARON SILVERCRUYS said that the Brussels Powers and the Canadian Government had given their views on the Pact. It would be helpful to have the attitude of the US Government. Could this be given?

MR. LOVETT answered that from the American point of view, it was desirable that the Pact be completed as rapidly as possible. If there was a drift and a failure to settle upon a target date, the driving force of the new Congress and the favorable tide of opinion might be lost. We should aim at concluding a treaty by the First of February.

American participation in a Pact of this kind would represent a material departure from traditional American policy. The only precedent was the Rio Treaty, which fell into the special category of inter-American agreements. It was essential that the Treaty should define exactly the obligation undertaken by the signatory countries. He thought it would be necessary to include in the body of the treaty, as well as in the preamble, a reference to "constitutional processes" if Congressional opinion were to be satisfied.

MR. LOVETT said it would also be necessary to emphasize in the text

that the treaty was concluded in accordance with the United Nations Charter. The Vandenberg Resolution had stressed the connection between the United Nations and pacts of this kind. Moreover, there were powerful organizations in the United States which thought that international associations should be formed on a global rather than on a regional basis. The way to counter them was to rub in the blanket authority given by the Charter to regional pacts.

MR. LOVETT indicated he thought it would be unfortunate if the Pact were to emphasize the military aspect alone. He thought it should cover a wider range both from the point of view of its practical value and in order to make the treaty more acceptable to the American Congress. Furthermore, if the treaty were to appeal to American opinion, membership should not be confined to the seven countries now represented at the talks. From the point of view of the Western Atlantic powers, the desirability of an association limited to these seven governments would be materially less, if it existed at all. MR. LOVETT hoped there was no doubt in anyone's mind about the earnestness with which the United States Government was approaching this subject. In all circles, legislative and administrative, there was every indication of a readiness and desire to proceed promptly. Nevertheless, there was a general feeling that the treaty must offer something which would be of benefit to the United States and the advantages of which could easily be recognized by American opinion.

MR. VAN KLEFFENS shared the opinion of Mr. Wrong: that two sets of questions had to be studied. The first set was related to the actual drafting of the provisions of the treaty; the other set was of a more general nature and included such very delicate problems as the security area, the duration of the treaty, the participation of other countries, and the method of negotiation with these countries.

His personal preference—he had received no instructions from the Netherlands Government to that effect—would be to draw up a document covering the first set of questions, which would bring out clearly the areas of agreement and disagreement. The discussion on the participation of other countries and the way in which they had to be approached could be more specific, when such a document was available. He thought it would be helpful if the Working Party went into this matter and then appointed a *rappporteur* who could report to the full meeting. This would emphasize the spirit of teamwork in which these negotiations were taking place; the *rappporteur* could inform the full meeting of those subjects on which there was no difficulty and others where further discussion and decisions of principle were required.

MR. BONNET drew attention to the distinction between the question

of what other countries should participate in the Pact and the question of the timing and mode of approaching these countries. Whether this two-fold question is to be discussed by the present group or the Working Party, MR. BONNET thought it essential, before approaching the different countries, to have a text so that they would know to what undertakings they were expected to subscribe. It might be necessary to study the problem from the viewpoint of limited partnership. He agreed with Mr. Lovett's point about avoiding the impression that the proposed Pact was by-passing the United Nations. He thought that any such misunderstanding might be removed by some clear-cut statement in the preamble.

SIR OLIVER FRANKS suggested that the whole question should be remitted to the Working Party. The Working Party would not by itself be able to solve all the differences. But it should be able to make progress on drafting some of the articles, while on others it would be able to clarify the alternatives. On questions of principle which did not arise directly in connection with consideration of the text of the articles, the Working Party could likewise be of service. It could list the principles in dispute, setting out clearly the various arguments and indicating the best order for discussion by the full meeting. It might be necessary to refer to governments on a number of points and it was therefore important that the Working Party should begin its studies as soon as possible.

MR. LOVETT, in answer to a question by Mr. Van Kleffens, said he thought it would be necessary at the appropriate stage to bring the military authorities into the discussions. Before this was done, however, it was desirable that further progress should be made and the nature of the Pact more clearly indicated. This need for greater definition also applied with respect to approaches to other countries.

MR. VAN KLEFFENS thought this led to the conclusion that the working party should first concentrate on the problems which were of vital importance in respect to the consultation of these countries such as the extent of the obligations to be assumed and the scope of the defense zone.

The discussion of various clauses, which were not of primary importance for the answer to the question which countries might be found ready to join, could be deferred to a later phase of the conversations.

MR. LOVETT emphasized the need for strict security throughout the next stage of the talks. It was agreed that the metric procedure for despatching papers to London should continue.⁴

MR. LOVETT explained that after the present state of the talks had

⁴ This procedure was referred to in the first paragraph of the minutes of the second meeting of the Washington Exploratory Talks on Security, July 6, 1948. See footnote 1, p. 152.

been concluded, the subject of the Pact would have to be referred to the President. Thereafter it was proposed to consult a selective group of Senators from both Parties and perhaps the Senate Foreign Relations Committee itself. It was possible that consultations would also take place with leaders from the House of Representatives. Appropriations and supplies would be required to implement the Pact and it might therefore be desirable to keep House leaders informed.

MR. LOVETT said he realized it might be difficult to complete the Pact by February 1. Even if it is not possible to secure the signature of more than the present seven powers to a North Atlantic Pact by that date, it should be possible to have some definite indications by then that other countries were willing to come in.

SIR OLIVER FRANKS stressed the importance of speed and said the more that could be done this week and next week, the better.

MR. VAN KLEFFENS spoke about the delay which might be involved in consulting other countries. Some of them, for instance Sweden, had a very cumbersome Parliamentary procedure, and it would be most unfortunate if the present enthusiasm for the treaty were to be lost through interminable delays in waiting for a few countries.

MR. LOVETT said it would also be desirable to ensure that the delay in depositing ratifications which had occurred with the Rio Treaty did not occur in this case. After discussion on how long the different countries might take to deposit their ratifications, it was considered reasonable to hope that if the Pact were signed by the beginning of February, the ratifications of the seven countries represented around the table could be deposited by spring.

MR. WRONG suggested that delay might be reduced either by providing that the Pact come into effect when a certain number of the signatories had deposited their ratifications, or by concluding simultaneously with the Pact some agreement which would establish a provisional council to begin working out the agencies which would be needed to implement the Pact. It was considered that this latter suggestion might cause difficulty in getting the Pact ratified by the US Senate.

It was agreed that the Working Party should attempt to define those articles of the treaty in which agreement could now be reached. They should also clarify the points of difference on the other articles and set out the questions of principle (e.g., the question of other countries' participation) which the full meeting would subsequently have to discuss. It was also agreed that the Working Party should be asked to advise upon the order in which the full meeting should discuss these subjects so that progress could be as fast as possible.

It was tentatively agreed that the next meeting would take place on

December 17, subject to the Working Party having made sufficient progress.

S40.20/12-1448

Memorandum by the Director of the Office of Near Eastern and African Affairs (Satterthwaite) to the Under Secretary of State (Lovett)

TOP SECRET

[WASHINGTON,] December 14, 1948.

Problem

On November 25, the Turkish [Acting] Foreign Minister handed to Ambassador Wadsworth a memorandum stating the Turkish desire to be included in the anticipated North Atlantic Pact. (See telegram No. 839 from Ankara, Tab A.¹) A similar memorandum was handed to the British Ambassador. It is now necessary to instruct our Ambassador as to the reply he should make.

Background

You will of course recall that the Turkish Government has made repeated approaches to us on this general subject. However, this is the first time that a direct request has been made for inclusion of Turkey in any specific security arrangement, and it is also the first time that the Turkish Government has reduced its views to writing. On at least one previous occasion when Turkish association with the Western European bloc was suggested, you told the Turkish Ambassador that it would be up to the European nations themselves to pass upon the question, but that you thought it would be very difficult to consider Turkey as belonging to the Western European region and therefore difficult for the United States to associate itself with a Western European regional group which also included Turkey. You emphasized the provisions of the "Vandenberg Resolution" of June 11, 1948.²

The Greek Ambassador has recently approached the Department informally³ with regard to the possible inclusion of Mediterranean countries, such as Greece and Turkey, in the North Atlantic Pact. He was told that no serious consideration had been given to such a move and that it was doubtful that the United States Government would be prepared to consider any broadening of the base of the proposed arrangement at this early stage. He was also told that the United

¹ Telegram 839, November 26, p. 294.

² The words here attributed to Lovett are referred to in his memorandum of July 21 covering his conversation of that date with Ambassador Baydur, p. 196, paragraph 6.

³ Ambassador Vassili Dendramis talked with Chief of the Division of Greek, Turkish, and Iranian Affairs Jernegan on December 1. The conversation is reported by Jernegan in his memorandum of that date, not printed (S40.00/12-148).

States was not prepared at this time to express an opinion on the desirability of forming an eastern Mediterranean bloc as a counterpart to the Western European group.

Discussion

It is fully recognized by all competent offices of the Department that Turkey and other states similarly situated must not be left in an exposed position, politically and militarily, through any apparently exclusive concentration of the United States on the defense of Western Europe. Much attention has been given to the problem of making clear to the world that our contemplated association with the North Atlantic states will not mean that we have a lesser interest in supporting the independence of other exposed nations. It is agreed that measures to achieve this must be concerted and implemented not later than the time when formal announcement of the conclusion of the North Atlantic pact is made. However, it is not considered practicable to include Turkey in the North Atlantic pact, nor are we yet ready to state what other steps we may take to achieve our objective of reassuring the Turkish people and warning those hostile to Turkey regarding our determination to support that country against threats to its independence.⁴

The attached telegram⁵ is designed to tell the Turks that we cannot support their request, at least at this moment, but that we are not in any way diminishing our support for Turkey and that we are studying means to make this clear to the rest of the world. Essentially the telegram is a plea to the Turks to be patient and let us work things out.⁶

We have discussed the question with the British Embassy, which has consulted London. The British Foreign Office concurs in the line set forth in the draft telegram and is instructing its Ambassador in

⁴ An earlier and more extensive discussion of this subject appears in a memorandum from Satterthwaite of NEA to Lovett dated October 26, 1948. The memorandum, not printed (840.20/10-2648).

⁵ Telegram 588 to Ankara, December 15, 1948, vol. iv, p. 213.

⁶ In answer to this telegram 588 to Ankara, the Secretary General of the Turkish Foreign Office expressed to Ambassador Wadsworth the following reply which is quoted from telegram 899, December 27, from Ankara: "Turkish Government reiterates its sincere thanks and full confidence continuing US military aid and political support. It understands delicacy present situation; appreciates particularly Department's comment that 'American interest in North Atlantic security in no way implies lessening of American interest in Turkish security'; and consequently accepts without equivocation Department's advice not press matter at this stage. At same time it takes note Department's assurance that possible future relationships between other countries and those of presently conceived Atlantic bloc are already subject of 'active study' in current negotiations; and it requests that if it be deemed appropriate by US Government it be informed of progress such study." (Telegram 899, not printed: 867.00/12-2748.)

Ankara to adopt a similar line. The text of the British instruction is attached, Tab B.⁷

Recommendation

Signature of attached telegram to Ankara.

Concurrences

WE EUR

⁷ Tab B not printed.

840.20/12-1748: Telegram

The Ambassador in Denmark (Marvel) to the Secretary of State

TOP SECRET

COPENHAGEN, December 17, 1948—5 p. m.

1090. I had most friendly and open discussion today on Danish foreign policy with Minister of Finance Hansen, Minister of Commerce Krag and Minister without portfolio Buhl. All three emphasize the importance from Danish viewpoint of delaying invitation to Denmark regarding North Atlantic pact until conclusion of present Nordic talks. While expressing skepticism as to success of negotiating Nordic defense agreement all were strongly of view governments should not be complicated or embarrassed by Denmark or Norway facing decision on western proposal. All indicated personal view in event Nordic talks were unsuccessful Denmark, if Norway did likewise, would join North Atlantic pact but qualified opinion by pointing out decision must be made by whole Cabinet. In event Nordic pact was successfully arranged all anticipated greater hesitancy on part of Denmark immediately to accept invitation to join North Atlantic pact.

All understand North Atlantic pact to be defensive agreement and believe Russian propaganda that such is for purpose of making Denmark spearhead for attack on Russia carries no weight with Danish public. All realize time is of the essence and that Denmark must face a decision in February. All were insistent that terms of North Atlantic pact should limit Denmark obligations to acts of aggression committed within defined territorial bounds. I was surprised to reaction of Buhl who is considered Nestor of Socialist Party when he stated that occupation of Greenland would be one of the first objectives of Russians with result Denmark would immediately come into war and consequently some arrangement for its protection must be made between Denmark and US. He quickly added other side was that Danes should cancel present Greenland treaty and thus avoid Russian criticism. But when asked admitted first statement was his personal view. All were satisfied that Russia alone could be considered as only possible aggressor against Denmark and that Nordic defense

agreement in itself would not be strong enough. All agreed it was advisable for Danish Government to consider now all aspects and consequences of Denmark's joining North Atlantic pact so that a prompt reply can be given when the invitation to join is forthcoming. As to special terms which I have previously indicated Danes will attempt to obtain, inquiries were made as to whether Marshall aid would continue after 1952 to all countries who join North Atlantic pact; whether US would insist on no east-west trade; what were the terms and conditions on which military equipment would be made available to Denmark; what military assistance could Danes expect in case of invasion of Denmark to all of which I replied I had no knowledge.

These three Cabinets members plus Prime Minister Hedtoft in substance constitute Danish Government. My impression is if present talks fail to produce Nordic defense agreement, Denmark can be brought into North Atlantic pact on rebound from shock of non-cooperation of a blindly neutral Sweden.

Sent Department, pouched Oslo, Stockholm.

MARVEL

840.20/12-2248

*Minutes of the Tenth Meeting of the Washington Exploratory Talks,
December 22, 1948, 3 p. m.*

TOP SECRET

Before discussion began on the Working Group's report,¹ SIR OLIVER FRANKS said that he would very much like to get something to his Government before Christmas. He suggested that as the preamble had not been discussed, and as it would greatly influence those who might see it, consideration of it should be reserved. He also suggested that if the representatives would state their positions on the relatively few points on which there was a difference of opinion, it would be of help in referring back to governments.

M. BONNET said that he hoped the draft pact could be improved so that it could become a model of a regional pact within the framework of the United Nations. He said the pact should have not only an immediate purpose but also should prepare for the future by contributing to the organization of peace, security and the better functioning of the United Nations.

SIR OLIVER FRANKS suggested that the preamble should be so written as to strike the popular imagination. It should be in simple

¹ Reference here is presumably to a draft treaty dated December 21, prepared by the International Working Group. The text is in NATO Research File, Lot 57D271.

words and should set forth the purposes of the pact in a manner which would appeal to people both inside and outside the participating countries.

MR. LOVETT remarked that the progress made had advanced the timetable he had contemplated by about a week. He said that the United States Working Group had consulted nobody outside the Department of State, so that it would have to go through the same process of consultation as the Ambassadors. To take political soundings he would need to have fairly firm conclusions. He agreed with the opinions already expressed as to the importance of the preamble and said that its language must be easily understood and must set the tone of the pact. If the pact appeared merely to be aimed at the Soviet Union, it would lose a great deal of its moral strength which would be a primary factor in getting it accepted in the United States.

MR. WRONG said that the form (not the content) of some of the articles would be influenced by the form of the preamble. He thought that the use of the phrase "High Contracting Parties" throughout the treaty would be a mistake. He thought the language should be simple.

M. LE GALLAIS said he had no remarks to make at this stage.

BARON SILVERCRUYS concurred in the expressions of opinion which had been heard concerning the method of procedure and the order of discussion.

MR. VAN KLEFFENS concurred with Sir Oliver Franks' remarks about the preamble and thought that a modern Jefferson had to be sought to formulate the ideas underlying the North Atlantic Pact in appealing language like that of the Declaration of Independence.

MR. LOVETT suggested that the meeting should consider the difficult points relating to the area to be covered, the inclusion of Italy, and the nature of the assurances to be given to countries not signatories to the pact.

M. BONNET agreed to this suggestion and asked that after the hard questions had been discussed consideration be given to the way to approach the various countries, as he would have some remarks to make about Sweden at the appropriate time.

MR. LOVETT suggested that the meeting begin to discuss the area to be covered by the pact which would be one of the major problems affecting ratification by the United States Senate.

M. BONNET, in reference to the problem of the inclusion of North Africa, said that it would be extremely difficult for France to leave a part of its metropolitan territory out of the area. Algeria was a part of France and in the same relation to France as Alaska or Florida to the United States. He did not think that the arguments against in-

cluding North Africa were very weighty. He thought that alternative "B" of the draft of Article 5, paragraph 2, should afford a suitable basis for a meeting of minds if one or two small alterations were made to ensure that Florida and other parts of the United States were included. He did not think that it was advisable to move the southern boundary of the area from 30° north, south to the Tropic of Cancer.

SIR OLIVER FRANKS said that his government had been thinking of the inclusion of all Africa north of latitude 30° north. The British Government sympathized with the French position; thus, while the British Government would probably not wish to continue to press for the inclusion of all of Africa north of 30° it would want the part west of Libya. The British position was not rigid.

MR. LOVETT thought the matter of the area to be covered was one of the controlling elements in the entire project. He could not yet speak with any certainty as to the limits to which the Congress might go, but he thought that it would be a mistake to try to expand the area beyond the basic limits of the homelands. He thought that if the area included North Africa it would become impossible to draw a logical line anywhere and the problem of countries like Turkey and Iran would become more involved.

M. BONNET said that the area covered by alternative "B" was only the territory occupied by the population or the armed forces of the signatories. The signatories would have no direct responsibilities in Greece or Turkey.

MR. LOVETT was concerned with what the Congress would accept. It would be better to avoid trying to include too wide an area in the pact in the interest of getting the main project approved by the Congress. The proposed provisions for consultation could always be relied upon to cover wide areas. There were areas in Africa north of latitude 30° north whose security was of great concern to the nations represented. The U.S. would reserve its position on the area to be covered since the discussion was concerned with concepts not dealt with previously. The Vandenberg Resolution had contemplated a tight regional pact and the State Department did not now want to seem to be undertaking a larger obligation.

M. BONNET said that the State Department's difficulties with Congress would be paralleled by those of the French Government if Algeria were left out and the North Pole were included.

MR. LOVETT remarked that the basic concept in the State Department had been that of a relationship with the signatories of the Brussels Pact; North Africa had not been included in the Brussels Treaty.

M. BONNET said that the original concept had been greatly expanded

by the inclusion of the northern territories of Canada, Alaska and possibly Norway and Denmark.

MR. LOVETT said that the need to bring in the stepping stone countries had been fully explored earlier. The fact that North Africa was not included in the Brussels Pact appeared to indicate that in the security system of Western Europe it had been considered and found to be not of cardinal importance. He said that in order to get an accurate answer about the inclusion of North Africa it would be necessary to discuss the question with Congressional leaders and military advisers.

M. BONNET remarked that the basic concept of the Brussels Pact was protection against Germany. The North Atlantic Pact had a different purpose.

MR. LOVETT said he understood the Brussels Pact would be effective against any aggression, not merely against aggression from Germany and also that the North Atlantic Pact would operate against German aggression if necessary. The more the North Atlantic Pact was confined to North America, Europe and the stepping stone countries between them, the better was the chance of securing ratification from Congress.

MR. WRONG said he had no specific instructions about North Africa but was sure that it would be a surprise to the Canadian Government to suggest that a considerable stretch of North Africa facing the Mediterranean should be included, because the assumption was that the same limits were being used for the European parties as in the Brussels Pact. He thought the issue depended, to a considerable extent, on what was done about Italy. Canada did not think Italy should be a full partner in the North Atlantic Pact, but if that country should nevertheless become one, there would be a good case on geographical grounds for including the Mediterranean coast of North Africa. He hoped, however, that the European commitments could be limited to countries bordering on the North Atlantic.

M. LE GALLAIS said that he would abstain.

BARON SILVERCRUYS remarked that the question of the geographical scope was debated to a certain extent in London by the Permanent Commission, and that the Belgian Government made it clear at that time that in their opinion it was preferable to limit the area to European territory proper, without extending it further to the South. He recalled, in this connection, Article 4 of the Brussels Pact. Although the conception of the security arrangements in Europe was wider now than when the Brussels Pact was signed, the objective of the discussions was essentially a North Atlantic Pact. By going further afield into the territories mentioned, the parties would be drawn into con-

sidering security arrangements in the Mediterranean that would come close to raising the whole problem of the Mediterranean zone. He recognized that this was an important problem to which a solution might well be sought but he could not see how it could be arrived at under the scope of North Atlantic security discussions and in a North Atlantic security arrangement.

Furthermore, it had been agreed that certain Governments should be invited to become members of the Pact. When some of these Governments were approached, and particularly Norway or Denmark or possibly Ireland, it would be doubtful whether an extension of the area so far afield would be a fillip to their participation. These governments might hesitate or even be reluctant to extend too far the considerable obligations assumed under the Pact. For these reasons he thought his Government would definitely prefer the Alternative A of the draft Article 5, paragraph 2.

MR. VAN KLEFFENS pointed out that the Netherlands had considerable sympathy for the position of France. On the other hand, he felt bound to observe that any conflict in view of which this Treaty negotiated would be of a global nature; hardly any region in the world would stay out of such a global conflict. The group should constitute a strong, well-knit defense unit, powerful enough to act as a deterrent to or eventually as an instrument against aggression. Inclusion of too many regions, however important, which could become involved in a global war would only tend to weaken such a unit.

Inclusion of Morocco or Tunis in the pact would in his personal opinion necessarily entail the inclusion of Italy, and might raise grave difficulties with regard to Greece and Turkey, and also raise the question whether such a strategically important area as the eastern shores of the Mediterranean—pipeline-terminal—should not also be included.

He wondered, whether all this was not leading too far. The position of the Netherlands was not rigid; it had a distinct preference for sensible limitation, but if the majority thought it wise to include North Africa, the Netherlands would not oppose it.

MR. LOVETT said that there had been repeated approaches from Turkey and Greece, especially Turkey, and also from the Union of South Africa. This was an example of the sort of problem encountered once the pact got beyond a definite area. To get into Africa would open up a limitless field.

MR. VAN KLEFFENS said that the countries Mr. Lovett has just named would at least come under the consultative clauses of the pact.

M. BONNET agreed that the protection of the northern stepping stones was important, but asked whether the southern route was not of the same importance. It would be unwise to over-extend the area

to the north and restrict it dangerously to the south. If Italy and the northern coast of West Africa were excluded from the pact, the area in Europe would be very much open from one side.

MR. LOVETT thought the distinction was that the areas in North Africa were under the control of one of the parties to the pact, whereas the northern stepping stones were under the control of countries which were not as yet parties. He suggested that those present should refer the matter to their governments, and that the meeting consider the Italian problem. He thought that the discussion should be based on the premise that North Africa would not be included in the area.

M. BONNET endorsed all the arguments in favor of the inclusion of Italy which appeared in the First Report of the working group.² Dealing with the arguments against the inclusion of Italy, he conceded that Italy was not a North Atlantic power but stressed that it belonged to the North Atlantic security area. He thought that military advisors would agree that defences should be established on the central Alps of northern Italy and on the plains of the Po. The argument based on the limitation of Italian armaments in the peace treaty was not serious, as precautions could be taken to ensure that Italy conformed to the treaty. Other countries would not be able to use the inclusion of Italy as a basis for arguing for their own inclusion because of the territorial contiguity of Italy with the other nations participating in the pact. The problem could not be dismissed by saying that a Mediterranean Pact could be concluded later. He thought that the basic criterion was to secure the greatest efficiency for the North Atlantic Pact; such efficiency would be lacking if Italy were not included.

SIR OLIVER FRANKS said that the United Kingdom on the whole was against the inclusion of Italy both because of Italy's distance from the Atlantic and because of doubt as to its ability to bring any real military strength to the association. If trouble started, any area in the world would be looked after if it was important strategically. He therefore did not think that the argument based on Italy's strategic importance was necessarily an argument in favor of its inclusion in the Pact. He did think, however, that the case of Italy was a special one because, like Greece and Turkey, Italy had been closely associated with the effort during the last year or two to build up positions of democratic strength in the world. It was his view that Italy, Greece and Turkey should be dealt with in a way which would associate them with the Pact and keep them from feeling left out. One way in which this could be done would be by a protocol which would give assurances by the signatory countries.

² The reference here is presumably to the September 9 report, p. 237.

Mr. LOVETT said that the United States had no firm position at the present time. The view that United States would take of the importance of Italy for the North Atlantic Pact would probably depend on the view of the signatories of the Brussels Pact towards Italy's inclusion in that pact. Whatever the outcome, he did not think that Italy could be left without some sort of protection. He would not attempt to suggest a solution.

Mr. WRONG thought the Canadian Government would agree with the United Kingdom and the United States. Canada had doubts about the advisability of including Italy as a full partner on geographical and military grounds. While Canada did not like the idea of limited partnership for certain countries, Italy was admittedly a special case. Possibly a special agreement could be concluded, shortly after the present pact, at least to assure the Italian people of the good intentions of the Atlantic Pact countries and to encourage Italy to associate herself with the Western Powers.

M. LE GALLAIS said that the Luxembourg Government considered that something should be done for Italy in the best form that could be agreed upon.

BARON SILVERCRUYS recalled that the inclusion of Italy in the North Atlantic Pact was a matter over which there had been a great deal of hesitation for some time. The position likely to be taken by the Italian Government in the matter was still uncertain. To the best of the information available it was not even known whether the Italian Government wanted to participate in a North Atlantic Pact. One thing was definite and did not leave room for any argumentation: up to now Italy had refrained from seeking admission to the Brussels Pact; it had thought it best not to depart from a certain policy of aloofness. This was the reason why the working group had suggested seeking clarification as to the opinion of the Italian Government before a decision was registered.

But there was another point to be taken into account. In the event that an invitation were extended to Italy to become a full member of the Atlantic Pact, the question might be asked whether certain problems would not be linked by Italy to her readiness to consider the invitation favorably. A nation restricted by the peace treaty, when the fate of its colonial empire has not yet been decided, might easily be induced to follow such a course. What would be the result? Exchange of views would take place, discussion would be started, formulas would be considered, solutions would perhaps be sought, and a great deal of time would elapse.

As Mr. Lovett said a few days ago, time and urgency were of paramount importance. Should the Governments concerned become

involved in delicate and intricate negotiations on far-reaching matters, having no direct relations with the North Atlantic security, they might be faced with complications that would retard the speedy conclusion of the Pact.

A third point could be made, which he had raised previously when talking about North Africa, namely that the inclusion of Italy in the pact might not be regarded favorably by certain nations like Norway, Ireland and Denmark.

The inclusion of Italy would have repercussions, in other capitals, namely Athens and Ankara. Although he would not attempt to gauge the sentiment that would prevail in those capitals, should it be known that Italy was being taken into the Pact, while Greece and Turkey were being kept out—in spite of certain definite overtures which they had already made—he was sure that their reaction was foremost in the minds of the Governments that were to be parties to this Pact.

His Government has been somewhat reluctant to consider favorably the admission of Italy, although it had never formally opposed it. It merely doubted whether there would be military advantage in having Italy in the Pact.

It had been suggested that some sort of protocol could be attached to the treaty in order to cover the problem of Italy, Turkey and possibly Greece and Iran. He did not see why the Northern part of Africa could not be mentioned too. These were adjacent and strategic areas and they might well be covered by a declaration of the signatories to the effect that, while they were signing the Pact, they were equally and vitally interested in the preservation of peace everywhere and especially in these regions whose security remained a matter of vital concern to them all.

Having made clear this position, he wished to say that on behalf of his Government he had nevertheless expressed its willingness to accept Italy's participation in the Pact if it were so desired by the other Governments. This acceptance, however, was conditional upon the assurance that the obligations to be assumed under the Pact would not be extended further afield. Should Italy's participation lead to the inclusion in the area covered by the treaty of territories not situated in the North American, North Atlantic and Western European regions, he would have to reserve the position of his Government.

MR. VAN KLEFFENS wished to make a distinction between countries whose participation would add to the strength of the Pact, and countries which were important to the Western World. Italy undoubtedly belonged to the second group but it was doubtful whether it also belonged to the first group. On the other hand, he agreed with M. Le Gallais that something must be done to keep Italy turned towards the

Western Powers. This did not necessarily mean that Italy should be a full partner but that Italy might, like Greece, Turkey, Syria and North Africa, be told that should it ever be subject to attack, the consultative provisions of the present treaty would at once apply. All these countries should also be told that the extent to which they identified themselves with the western world would naturally influence the deliberations under the consultative clause.

MR. HICKERSON thought that, in the earlier meetings, it had been decided that the best thing was to have only one type of membership in the pact and to provide for special situations in the specialized bodies set up under the pact. The Italian Ambassador had tried frequently to get an invitation for Italy to participate. This seemed to indicate that Italy was genuinely interested in membership.

M. LE GALLAIS raised the question whether the duration of the Pact—for 20 or for 40 years—could have any influence on Soviet foreign policy. He expressed the view that it was all-important that the Soviet Union should know now what our line of action is going to be, for instance for the next 20 years; however, what it will be at the end of that time could perhaps be made known later on. This policy could create some doubts on the Russian side and eventually strengthen the position of those members of the Politburo who might be opposed to war.

MR. LOVETT referred the question to Mr. Kennan who said that he would prefer to give an answer at a later date.

840.20/12-2348

The Ambassador in Turkey (Wadsworth) to the Secretary of State

TOP SECRET

ANKARA, December 23, 1948.

483. SIR: I have the honor to enclose, as a matter of record, the text of an *aide-mémoire*¹ I handed Turkish Minister for Foreign Affairs Sadak on December 18 in compliance with the Department's telegram no. 588² of December 15 (6 p. m.) 1948 replying to the Turkish Government's request³ that it be invited to participate in such mutual defense undertakings against Soviet aggression as may be concluded in current negotiations for an "Atlantic Pact."

Mr. Sadak read my *aide-mémoire* carefully and with keen interest. His comment on the passage expressing doubt that "Turkey, which is neither in Western Europe nor on the Atlantic, could be considered to form geographically a part of this regional group" was non-committal, but I sensed he was neither surprised nor taken aback. He asked if my

¹ Not printed.

² Vol. iv, p. 213.

³ See telegram 839, November 26, 1948, from Ankara, p. 294.

instructions had mentioned whether any other countries, such as Ireland or Portugal, were to be invited to participate; and again I sensed that he was confirmed in his own views when I answered in the negative.

He then commented that he understood the delicacy of our position "with its traditional policy of 'no entangling alliances'"; and, reading again the passage indicating that the current discussions might be expected to touch on relations with other countries, he said he would bring my answer to the immediate attention of his Government and of the President and would inform me of any further suite [*sic*] they might decide should be given the matter at this time. His eyes dropped down the page; he added: "Your Government 'would prefer that Turkey not press at this time'". I concluded the passage: Not "for inclusion in the North Atlantic group."

In ending the conversation Mr. Sadak referred with satisfaction to the passage "American interest in North Atlantic security in no way implies a lessening of American interest in Turkish security"; and he made the point—later made the same afternoon by President İnönü to Secretary Royall (see my immediately following despatch ⁴)—that Turkey needs moral as well as material help, that thus will it feel itself doubly strong and, if such help be made known to all, thus, too, would Russia be doubly hesitant to attack.

I should add that, prior to presenting my *aide-mémoire*, I ascertained from my British colleague that he had received substantially similar instructions and would communicate their substance to Mr. Sadak the following day.

Respectfully yours,

GEORGE WADSWORTH

⁴ Despatch 484, December 23, not printed, transmitted a memorandum of conversation between President İnönü and Secretary Royall and Vice Adm. Arthur W. Radford, Deputy Chief of Naval Operations for Air and Commander, Second Task Fleet (840.20/12-2348).

840.20/12-2448

*Report of the International Working Group to the Ambassadors' Committee*¹

TOP SECRET

[WASHINGTON,] December 24, 1948.

WASHINGTON SECURITY TALKS

IWG D-5/1a. The Working Group have reached agreement on practically all the articles of a possible Pact. The text of these articles is

¹ The Ambassadors' Committee approved this latest draft on the same day for submission to their respective governments. On December 28, Lovett sent a copy to Forrestal, requesting the views of the National Military Establishment concerning it, even though representatives of the Joint Chiefs of Staff had participated in its preparation (840.20/12-2848).

given as Annex A. Explanatory notes on the individual articles are given as Annex B.

The only articles of the Treaty on which it was not possible to reach agreement were the following:

(a) Article 5 (2)—the area to be covered and in particular whether French North Africa is to be included. (Annex A, Page 7)

(b) Article 8 (bis). Whether, as proposed by the French representatives, an additional article should be included providing for the reference of disputes to the International Court and endowing "the council" with certain powers of conciliation.

(c) Article 10. Ratification and duration. (Annex A, Page 12) The United States representatives preferred to leave the question of the duration of the Treaty open at this stage.

While the Working Group were able to agree on some of the countries which should be invited to participate in the Treaty, they were unable to reach any decision on the question of Italy or to make any firm recommendation on the steps to be taken to give assurances to Greece and Turkey (and perhaps Iran). A statement of the position in respect to Italy and Greece and Turkey etc. is given as Annex C. The Working Group agreed on the procedure to be followed for the subsequent course of negotiations, approaches to other governments, etc. A statement of their views on this point is given as Annex D.

The Working Group recommend that the Ambassadors forward a copy of this report to their governments with the request that the latter furnish as soon as possible their comments on the text of the Treaty and their views on the specific points mentioned above on which the Working Group has been unable to reach agreement.

[Annex A]

December 24—Draft Treaty

ARTICLE 1 (PEACEFUL SETTLEMENT)

The Parties undertake, as set forth in Article 2 of the Charter of the United Nations, to settle their international disputes in such a manner that peace, security and justice are not endangered, and to refrain in their international relations from the threat or use of force in any manner inconsistent with the purposes of the United Nations.

ARTICLE 2 (GENERAL WELFARE)

The Parties will encourage cooperative efforts between any or all of them to promote the general welfare through collaboration in the cultural, economic and social fields. Such efforts shall, to the greatest

possible extent, be undertaken through and assist the work of existing international organizations.

ARTICLE 3 (MUTUAL AID)

In order better to assure the security of the North Atlantic area, the Parties will use every endeavor, severally and jointly, by means of continuous and effective self-help and mutual aid, to strengthen their individual and collective capacity to resist aggression.

ARTICLE 4 (CONSULTATION)

The Parties will consult together whenever, in the opinion of any of them,

- (a) the territorial integrity, political independence or security of any of the Parties is threatened; or
- (b) there exists any situation which constitutes a threat to or breach of the peace.

ARTICLE 5, PARAGRAPH 1 (MUTUAL ASSISTANCE)

(1) The Parties agree that an armed attack against one or more of them occurring within the area defined below shall be considered an attack against them all; and consequently that, if such an armed attack occurs, each of them, in exercise of the right of individual or collective self-defense recognized by Article 51 of the Charter of the United Nations, will assist the party or parties so attacked by taking forthwith such military or other action, individually and in concert with the other Parties, as may be necessary to restore and assure the security of the North Atlantic area.

ARTICLE 5, PARAGRAPH 2 (DEFINITION OF AREA)

(2) The provisions of the foregoing paragraph shall be applicable in the event of any armed attack directed against the territory, the population or the armed forces of any of the Parties in:

ALTERNATIVE A

(a) Europe or North America; (b) the sea and air space of the North Atlantic area north of the Tropic of Cancer.

ALTERNATIVE B

(a) Europe or North America; Africa north of Latitude 30° North and West of Longitude 12° East; (b) the sea and air space of the North Atlantic area north of the Tropic of Cancer; and (c) the sea and air space of the western Mediterranean, West of Longitude 12° East [or, if Italy comes in, Longitude 20° East].²

² Brackets appear in the source text.

ARTICLE 6 (UNITED NATIONS)

1. This Treaty does not prejudice in any way the obligations of the Parties under the provisions of the Charter of the United Nations. It shall not be interpreted as affecting in any way the authority and responsibility of the Security Council under the Charter to take at any time such action as it deems necessary to maintain or restore international peace and security.

2. Any fact or situation constituting a threat to or breach of the peace and deemed to require consultation under Article 4, or any armed attack requiring action under Article 5, shall be immediately reported to the Security Council.

3. All measures taken as a result of Article 5 shall be immediately reported to the Security Council. They shall be terminated as soon as the Security Council has taken the measures necessary to restore international peace and security.

ARTICLE 7 (OTHER INTERNATIONAL ENGAGEMENTS)

The Parties declare, each so far as he is concerned, that none of the international engagements now in force between him and any other of the Parties or any third State is in conflict with or affected by the provisions of this Treaty.

ARTICLE 8 (ORGANIZATION)

The Parties hereby establish a Council, on which each of them shall be represented, to deal with matters concerning the implementation of this Treaty. The Council shall be so organized as to be able to meet promptly at any time. The Council shall set up such subsidiary bodies as may be necessary; in particular it shall establish immediately a defense committee which shall recommend measures for the implementation of Articles 3 and 5.

ARTICLE 9 (ACCESSION)

The Parties may, by agreement, invite any other country in the North Atlantic or Western European regions to accede to this Treaty. Any State so invited may become a party to the Treaty by depositing its instrument of accession with the Government of _____. The Government of _____ will inform each of the Parties of the deposit of each such instrument of accession.

ARTICLE 10 (RATIFICATION AND DURATION)

This Treaty shall be ratified by the signatory states and the instruments of ratification shall be deposited as soon as possible with the _____ Government. It shall enter into force between the states which have ratified it as soon as the ratifications of the majority

of the signatories have been deposited and shall remain in effect for _____ years from that date. It shall come into effect with respect to the other signatory States on the date of the deposit of their ratifications.

After this Treaty has been in force for _____ years, each of the Parties may cease to be a Party one year after its notice of denunciation has been given to the _____ Government.

The _____ Government shall inform the Governments of the other Parties of the deposit of each instrument of ratification and each notice of denunciation.

Annex B

Comments on Proposed Articles

The following are comments on the draft articles included in Annex A. They are presented in the same order and under the same numbers as the articles in Annex A.

1. *Peaceful Settlement of Disputes.*

A draft of article 1 designed to replace articles 1 and 2 of the outline of September 9th and articles 1 and 2 of the Permanent Committee's suggestions was agreed in the form given in Annex A.

2. *Co-operation in the Cultural, Economic, and Social Fields.*

The Brussels powers' representatives doubted the necessity of including an article calling for economic, cultural, and social co-operation and feared duplication of existing machinery. They agreed, however, that, if such duplication were clearly avoided, they would have no objection to including such an article. (Article 3, September 9th paper.) Canada and the United States strongly favored including one. It was agreed that the text given in Annex A would be generally acceptable as a compromise, since the Canadian representative would have preferred a more strongly worded provision.

3. *Pledge of Self-Help and Mutual Aid.*

This article was acceptable in the form given in Annex A.

4. *Provision for Consultation.*

The text of this article as given in Annex A is the text as suggested by the Permanent Commission in London, which was found to be acceptable without change.

It was agreed that this provision for consultation covers all threats to the peace, including attacks against the overseas territories of any of the parties to the Treaty, and that this should be recorded.

5. *The Pledge of Mutual Assistance.*

The Working Group accepted part 1 of the proposed article 5 in the form given in Annex A.

It is proposed that part 2 should define the area to be covered by the Treaty. Two drafts of this part of article 5 are presented in Annex A, marked (a) and (b). Draft (a) was acceptable to the United States, Canada and Belgium. Draft (b) was acceptable to France and the United Kingdom. It will be noted that the essential difference between these two drafts is that draft (a) excludes any part of Africa or the Mediterranean from the area to be covered by the Treaty, whereas draft (b) includes parts of North Africa and of the Mediterranean.

6. *Relationship to the United Nations.*

The Working Group agreed to the draft of this article as given in Annex A, which is designed to replace articles 8, 9 and 11 of the September 9th document.

7. *Conflict with other Treaties.*

The United Kingdom representative proposed a separate article declaring that the present Treaty was not in conflict with any previous treaties entered into by the parties, and the draft as given in Annex A was accepted.

The United Kingdom representative proposed an additional paragraph as follows:

"None of the Parties will conclude any alliance or participate in any coalition directed against any other of the Parties or against any members of the United Nations."

The French representative supported this proposal but it was not accepted.

8. *Organization.*

The Working Group accepted the draft as given in Annex A.

8. (bis) *International Court and Conciliation*

The French representatives were concerned lest the pact be interpreted as an instrument of coalition. It should on the contrary appear as a regional pact with the appropriate machinery of such an organization. They suggested, therefore, that an article be added after Article 8 providing that the parties will refer to the International Court of Justice all disputes which come under the provisions of Article 36 of the Statute of the Court. This article would also provide that the Council established by Article 8 should act as an organ of conciliation when other means of conciliation or arbitration have failed. It would be understood that the Council should in no way interfere with the operation of existing treaties and agreements be-

tween the parties. Other representatives pointed out that the International Court, although of special importance, was only one among many of the available peaceful means for settling disputes. As regards the proposal that the Council should become an instrument of conciliation, it was considered by other representatives that the Council might thus duplicate and perhaps confuse the operation of existing treaties of conciliation between parties to the pact or of permanent agencies already established. Furthermore, the possibility of disputes between parties to the pact of such a serious nature as to defy solution by these existing agencies or under existing treaties seemed to some members of the Committee so remote as to make it unnecessary to establish a further agency of conciliation as between the parties.

It was also believed that mention of the International Court might mean protracted delay in negotiating the treaty in view of the difficulty of finding language which would adequately safeguard the reservations which various countries have already made or would have to make. For these reasons, the additional article proposed by the French representatives was not accepted.

9. *Accession Clause.*

This article as given in Annex A was accepted by the Working Group with the understanding that a more accurate definition of the area from which acceding countries might come might be agreed upon at a later date.

10. *Duration of the Treaty.*

At the request of the U.S. representatives, decision on the duration was deferred, but it was generally agreed that the number of years should be a multiple of four. It was agreed to insert the article on ratification given in Annex A, with the length of time left blank.

11. Various forms of an article which would provide for the expulsion from the treaty of any signatory under certain circumstances were discussed. This proved difficult to express and on balance it was decided to recommend that no such article be included.

Annex C

ITALY

No agreement as to whether an invitation should be extended to Italy to join the Pact as an original signatory could be reached. It was thought that a brief review of the arguments for and against the inclusion of Italy might be useful.

(I) *Arguments for the inclusion of Italy.*

(a) The non-inclusion of Italy might result in a very serious increase in Soviet propaganda and other efforts to detach this country from Western Europe.

(b) Non-inclusion would be a serious blow to the Italian Government. On the other hand, there is evidence of support in Italy for a policy of neutrality. On the basis of the information it had, however, the Group thought that it might be easier for the Government of Italy to justify participation than to explain exclusion to its legislature and to the Italian people.

(c) If an invitation is not extended to Italy to become a full member, she might refuse to associate herself in any way with the Pact. The supporters of a policy of neutrality would then presumably carry the day.

(d) Geographically Italy occupied a position of considerable strategic importance on the right wing of the defence of Western Europe. In case of conflict it would be essential to safeguard the southern flank as well as to guarantee the security of the southern route by which assistance from North America would be in part carried to Europe. The position of Italy is important to the operation of this route and it is otherwise important that Italy not be in enemy hands.

(e) It would be illogical to exclude Italy from this Pact while encouraging efforts to integrate her more fully into the Western European economic organization—such as the projected Franco-Italian Customs Union.

(f) As long as Italy is not a member of the North Atlantic Pact, her participation in the Brussels Pact would perhaps not be acceptable to the signatories. On the other hand, the U.S. Working Group thought that Italy should perhaps not join the North Atlantic Pact unless she had acceded to the Brussels Pact. In the course of the discussion it was suggested that the Italian Government might be invited to accede to both Pacts simultaneously.

(g) If one of the objectives of the Pact is to tighten cultural and political ties between North Atlantic and Western European countries, Italy, by reason of her civilization and her mercantile and maritime traditions, would appear to be an appropriate member.

(h) Italy could logically be asked to join the Pact on grounds of geographical contiguity, whereas the same argument did not apply in the cases of Greece and Turkey, for example.

(II) *Arguments against the inclusion of Italy.*

(a) Italy is not a North Atlantic Power.

(b) Because of the arms limitation clauses of the Peace Treaty, Italy will not be in a suitable position in the foreseeable future to

undertake new military commitments. Indeed, it might be said that from the strictly military point of view the inclusion of Italy would impose a definite burden on the other parties, particularly if, in the event of conflict, Italy were a belligerent.

(c) Some of the countries now conferring have, understandably, certain hesitation about extending too far afield the very considerable obligations which they would assume under the Pact. The inclusion of Italy might, therefore, be open to question if it were to involve the inclusion of territories further afield.

(d) The security of Italy is a problem of the security of the Mediterranean, which might be covered by another pact, thus obviating Italy's inclusion in a North Atlantic pact.

(e) Since the security of the North Atlantic area (in a strict geographical sense) is a long term consideration, a Pact concerned solely with security in this area could be of longer duration than one concerned with the security of territories outside this area.

(III) *Views of the Representatives*

The views of the different representatives were as follows:

(a) The French representatives said that their Government strongly favoured the inclusion of Italy for the reasons given in (I) above.

(b) The British representatives said that their Government were opposed to the inclusion of Italy for the reasons given in (II) above, but they felt strongly that, if Italy were not in the pact, she should be given adequate assurances on the question of her security and that recognition of her ties with the West should be made in some way.

(c) The Canadian representatives opposed the inclusion of Italy for the reasons given in (II) above. They qualified this opposition, however, by saying that they appreciated the importance of some of the arguments in (I) and they believed that measures of some kind would have to be taken to assure Italy that, as a part of the Western world, she was not being overlooked.

(d) The Belgian representatives said that their Government was not opposed in principle to the inclusion of Italy if this were favored by the other Governments; they were reluctant, however, to see her included for the reasons given in paragraphs (c) and (d) of (II) above. They agreed that something should be done so that her ties with the West would not be weakened.

(e) The Netherlands representatives, although they recognized the importance of Italy to the Western world, wondered whether its inclusion would not impair the strength of western defense. Appropriate arrangements should be devised to extend some measure of protection to Italy and to give support to those Italians who strive to keep Italy on the side of the Western nations.

(f) The Luxembourg representative considered that something should be done for Italy.

(g) The United States representatives considered that a satisfactory solution to the problem of Italy, which would strengthen rather than weaken Italy's natural ties with the West, must be found, preferably by simultaneous association in some mutually acceptable form with the Brussels and Atlantic Pacts.

(IV) In the circumstances further instructions from governments are urgently required.

(V) *Greece and Turkey*

It was agreed that while Greece and Turkey could not participate in the North Atlantic Pact, some further steps would have to be taken to assure the governments of these countries and perhaps Iran that their security had not been lost sight of and was a matter of concern. It would be all the more necessary to give such an assurance to these countries if Italy were to be a signatory of the Pact. If Italy were not to be a signatory she should receive similar assurances to those given to Greece and Turkey.

The United Kingdom representatives suggested that the situation might be met by including in the Pact an additional article somewhat on the following lines:—

“Should any state member of the O.E.E.C. other than a Party to this treaty, be the object of an armed attack, the Parties will immediately consult together with a view to taking such measures as may be desirable or necessary in order to restore the situation.”

The other representatives thought that this problem should be dealt with otherwise than by an article in the Pact.

Annex D

PROCEDURE FOR NEGOTIATIONS AND APPROACHES TO OTHER
GOVERNMENTS

1. *Procedure for Negotiation*

(a) It was considered that a formal conference would not be necessary for the next stages in the negotiation of the Treaty. The present arrangement of a Working Group and an Ambassadors' Committee reporting to governments might well continue. The personnel of the Working Group could, of course, include any representatives which any of the seven governments might see fit to appoint. Other countries than the original seven, after having been invited and accepted par-

ticipation in the Pact, might also send representatives to the Working Group and Ambassadors' Committee.

(b) No recommendation was made about whether it would be desirable to hold a brief formal conference for the signing of the Pact at the conclusion of the negotiations. This should be decided at a later date.

2. Approaches to Other Governments

(a) Iceland, Norway, Denmark, Ireland and Portugal should be invited to join the Pact if they are willing.

(b) Invitations should be extended after the wording of the Treaty has become reasonably definite but before it has become final in order to avoid confronting the other countries with a definitive text on a "take it or leave it" basis. The appropriate moment to extend these invitations would be when the seven governments have reached substantial agreement on the text of the Treaty and have finally decided what other governments are to be invited to participate. The countries willing to participate in the Pact should join in the discussions in Washington and take part in the final stages of the drafting of the Treaty.

(c) Between now and the time for issuing invitations, it would be desirable to keep the other governments generally informed of the progress of the Washington talks without, however, going into detail.

(d) The U.S. representatives agreed to the suggestion that the United States should be responsible not only for extending the invitations at the appropriate moment but also for giving the interim explanations referred to in the immediately preceding paragraph, except in the case of Portugal, which in both respects should be approached by the United States and United Kingdom governments together. This would not exclude the possibility of the other governments, in the course of their normal diplomatic relations, discussing the question of the Pact in general terms with these countries. All seven governments should keep each other informed of any conversations that they might have with the prospective signatories.

(e) The following points were made regarding certain individual countries:

(1) It was doubtful whether a direct approach should be made to Sweden at this time. It would nevertheless be appropriate for the Norwegian and Danish governments to be informed that, if Sweden wished to become a party, she would be welcome—the Norwegians and Danes being at liberty to pass this information on to the Swedes.

(2) The United Kingdom representatives indicated that their Government would have comments to make on the timing and method of any approach, whether formal or informal, to Eire.

840.20/12-2948

*Memorandum of Conversation, by the Director of the Office of
European Affairs (Hickerson)*

TOP SECRET

[WASHINGTON,] December 29, 1948.

Participants: Wilhelm Munthe de Morgenstierne, Ambassador of
Norway
Mr. John D. Hickerson, Director for European Affairs
Mr. Benjamin M. Hulley, Chief, NOE

The Ambassador came at his urgent request to present the attached *aide-mémoire* requesting as full details as possible about the North Atlantic Treaty for use by Mr. Lange in a meeting of Scandinavian Prime, Foreign and Defense Ministers called suddenly for January 2 at or near Oslo.

I told the Ambassador that speaking unofficially I had to admit that this request came at a somewhat inopportune time. He agreed and said that it was a surprising change to him since Norway had previously indicated that it would hardly be ready to consider this matter before February 1 and we had indicated that this might be too late; whereas, now the positions are reversed. On receiving cable instructions to make this representation he had cabled back to Oslo commenting that information on this line was expected within about a week in the ordinary course and it was his opinion that it was not opportune to take it up now. His Government had replied that it was necessary to do it now for reasons which could not be stated. It was evident to him that the request had not grown out of the report he had made of his conversation with me December 23,¹ but must have arisen from events in Scandinavia. His guess would be that some development in the Scandinavian military discussions was the cause, and that Mr. Lange desires ammunition to use in answering Swedish criticisms of the Atlantic Pact.

I repeated the general developments in prospect which I had outlined December 23 to him and said that I would endeavor to give him as much as I could sometime tomorrow so that Nygaard can take it with him on Friday as instructed by the Norwegian Foreign Office. Some of the questions simply could not be answered now but I would do my best. I showed him a ticker release on the subject of Congress-

¹Hickerson recorded this meeting in a memorandum of conversation dated December 23. According to the memorandum, Hickerson was unable to provide Morgenstierne with formal or detailed information beyond the fact that meetings regarding a North Atlantic pact were going on daily and that the Ambassador could reassure his Government that the plan was to arrange for Norway to have an opportunity to comment on the treaty draft and make appropriate suggestions for altering it. (Memorandum by Hickerson not printed: 840.20/12-2348.)

sional soundings from which he could see that our own consideration of the matter had to progress a little further. I also mentioned that the President had not yet seen and approved what we had done. Regarding his request to see Mr. Lovett also, I said I hoped it would be possible to arrange that.

JOHN D. HICKERSON

[Enclosure]

AIDE-MÉMOIRE

The Norwegian Minister of Foreign Affairs, on the basis of the views expressed by him to His Excellency the Secretary of State, General George C. Marshall, in Paris, September 29, 1948,² is at present considering the problems arising out of the discussions now in progress between the United States, Canada and the Brussels Pact States with a view to concluding a North Atlantic Pact. The Norwegian Minister of Foreign Affairs, Mr. Halvard M. Lange, has now initiated the holding of a confidential meeting in the nearest future between the Prime, Foreign and Defence Ministers of Norway, Denmark and Sweden, in order to ascertain definitely the position of the Danish and Swedish governments in this respect.

With this meeting in view, it would be most essential for the Norwegian Foreign Minister to be informed as fully as possible about the principal provisions of the Draft North Atlantic Pact. One of the present difficulties is that, especially in Sweden, but also to some extent in Norway, it is being maintained that one does not know the realities of the proposed Pact and what safeguards and obligations would be involved for member states. In case that it should not be possible to have at this time the text of the proposed draft, any information of a general character concerning the Pact would be of the greatest interest to the Norwegian Minister of Foreign Affairs, and it would be particularly appreciated to obtain, if possible, answers to the following questions:

1. What is the proposed duration of the Pact?
2. To what extent is the United States prepared to assume obligations to guarantee the other members of the Pact?
3. Would Norway as a member of the Pact be given an opportunity to obtain on lenient financial terms the material needed to build up her Defence?
4. Could Norway obtain in the nearest future such material as mentioned under 3?
5. Might an arrangement be worked out by which Norway could

² See telegram 5130, September 30, from Marshall in Paris which described this meeting, p. 256.

obtain military equipment of British design, such as aircraft and radar, of which Norway is already in possession of certain quantities?

6. What would be the obligations on the part of Norway as a member of the Pact? Would the question of establishing military bases on Norwegian territory be raised by the United States?

7. Can any indication be given as to the strategic importance the United States attach to Scandinavian territory and waters, especially Norwegian territory and waters?

WASHINGTON, December 29, 1948.

857D.20/12-3048 : Telegram

The Ambassador in Denmark (Marvel) to the Secretary of State

TOP SECRET

COPENHAGEN, December 30, 1948.

1110. Deptel 768, December 28. Foreign Minister tells me no meeting of three Nordic Prime Ministers plus Icelandic Prime Minister would be held, stating any such report might be based on customary meeting held before UN sessions and such is tentatively set for February. He then told me Prime Ministers and Foreign Ministers of three Nordic countries will meet at place not yet selected but not until middle January prior to conclusion present Nordic talks to discuss views regarding North Atlantic Pact. He stated Swedes realizing more and more risk of being cut off from trade and military assistance from West and he hoped if invitation to North Atlantic Pact forthcoming it would be extended to Sweden at same time as to Denmark and Norway. He again added hope that no such invitation would come until Nordic talks completed. When I ventured view that Swedes might attempt to prolong present talks and prevent decision being made by February, Rasmussen was most emphatic in statement that definite decision would be made by February. He furthermore expressed desirability from Danish viewpoint for Denmark to participate in North Atlantic talks before pact is finalized.

Based on above and from recent conversations with numerous politicians, I repeat my opinion no invitation should be extended to Denmark either to join pact or join in talks as observer or otherwise as to terms thereof prior to but that such invitation including participation in discussion of terms should follow promptly conclusion Nordic talks.

Sent Department; pouched Stockholm, Oslo.

MARVEL

840.20/12-3148

*The Secretary of Defense (Forrestal) to the Under Secretary
of State (Lovett)*

TOP SECRET

WASHINGTON, December 31, 1948.

DEAR BOB: I am forwarding herewith, on an informal basis at this time, a copy of a memorandum which has been submitted to me by the Joint Chiefs of Staff covering the subject of "Base Rights for the United States in return for Military Aid to Foreign Nations".¹ This memorandum suggests the adoption of a policy under which, in normal cases, the granting of military aid would be coupled with negotiations for consideration of United States base rights requirements.

From a military standpoint, the recommendations of the Joint Chiefs of Staff are, in my opinion, completely sound. However, as they indicate, overriding political considerations may make the application of such a policy impracticable generally or in given instances. However, it seems to me that the political considerations when dealing with the matter of military aid, are very different from those which may be involved in handling economic aid. If the purpose of the North Atlantic Pact and other arrangements under which aid may be furnished is to develop the concept of collective security, it seems to me reasonable, at least as a general proposition, to couple the granting of such aid with the securing of reciprocal advantages which the recipient of the aid may be in a position to provide.

We have talked at length about the dependence of our strategic plans upon the acquisition of rights at certain bases at various parts of the world. You are only too familiar with the difficulties which have been encountered in efforts to obtain such rights. It therefore seems to me that we should not let this opportunity pass.

I have advised the Joint Chiefs of Staff in accordance with their request in the last paragraph of their memorandum that they should proceed to make the further detailed studies therein suggested. I believe that these studies in themselves will be of substantial assistance in determining the practicability of applying the policy which they recommend.

I welcome your own thoughts as to the political feasibility of proceeding along the lines suggested by the Joint Chiefs of Staff and will be glad to discuss this matter with you further at your convenience.

Sincerely yours,

FORRESTAL

¹ Memorandum signed by Leahy, dated December 21, 1948; for text, see volume I.

840.20/12-3148

*Memorandum of Conversation, by the Director of the Office of
European Affairs (Hickerson)*

TOP SECRET

[WASHINGTON,] December 31, 1948.

Participants: Wilhelm Munthe de Morgenstierne, Ambassador of
Norway
John D. Hickerson, Director for European Affairs
Theodore C. Achilles, Chief, WE
Benjamin M. Hulley, Chief, NOE

The Ambassador came in at my request to discuss the *aide-mémoire* on the proposed North Atlantic Pact which he handed to me December 29. I explained the present status of the matter as follows.

The background and early development of the exploratory conversations looking toward conclusion of a North Atlantic Security Treaty were explained in my oral message of September 22 [23].¹

Late in October the Governments of Canada and of the Parties to the Brussels Treaty advised the United States Government that they were agreed in principle on the desirability of concluding such a treaty. Subsequent exploratory talks have resulted in steady progress toward concrete proposals for a treaty following closely the lines indicated in the oral message of September 22. In these talks it was recommended, and the recommendation is now being considered by the seven Governments, that Denmark, Iceland, Ireland, Norway and Portugal be sounded out as to their willingness to consider participating as original signatories of the treaty and that, if they were prepared in principle to do this, they be invited to participate in the definitive drafting of the terms of the pact. The other representatives proposed, and the United States representatives agreed, that the United States Government should be responsible both for extending such invitations at the appropriate time and for keeping these Governments generally informed.

The treaty envisaged would be within the framework of the United Nations Charter. It would be designed to fortify and preserve the common heritage of the parties and to increase the security of the North Atlantic area. It is hoped that the treaty would serve this purpose by:

(1) Making war less likely through confronting any possible aggressor with evidence of collective determination to resist attack on any party;

(2) Providing for continuous and effective self-help and mutual aid in order better to assure the security of the area;

¹ See airgram A-175 to Oslo, September 22, 1948, p. 254, and particularly footnote 1, to the last paragraph of that airgram.

(3) Providing for consultation on the request of any party in the event of a threat to or breach of the peace;

(4) Providing that, in the event of an armed attack on any party within the area, all the parties would take such action as might be necessary to restore and assure the security of the area; and

(5) Providing for consultative machinery, both political and military, and in which each party would be represented, to facilitate its implementation.

There would thus be a definite obligation to contribute toward the collective defense of the area both before and after an armed attack had occurred by the provision of assistance in keeping with the resources and geographic location of each party. This would not necessarily involve in every case a declaration of war in the event of an armed attack on another party to the treaty and, indeed, the treaty would not provide that any country automatically declare war in such a contingency. In democratic countries declaration of war is, of course, a parliamentary prerogative. Moreover, some cases it might be more advantageous to the security of the area as a whole if certain countries did not become involved in war unless directly attacked.

It is hoped that the definitive drafting of the treaty can be undertaken soon enough to permit its final conclusion early in February. We should be glad to receive orally and informally any views which the Norwegian Government may wish to express concerning the form and timing of an official approach concerning this matter.

Similar approaches will shortly be made to each of the Governments named above. The relationship of Italy to the proposed pact is still being studied and that Government is accordingly not being approached at this time. No corresponding approach to the Swedish Government is contemplated. Should that Government, however, desire to become a party to such a treaty its participation would undoubtedly be welcomed.

I told him that I had planned to give him this explanation next week as well as to the other four countries whose adherence had been suggested. However, in view of his *aide-mémoire* I was glad to supply it now to assist him. We would give similar information to the other prospective participants next week although the methods might vary. The Draft Treaty, the essence of which I had outlined to him, had been sent to the other six Governments participating in the talks for their approval as a tentative draft. As our own Government had not approved it there would have to be careful briefing of Congressional leaders in both parties, and the approval of the President must also be obtained.

To supplement the above information I said I would reply as far as is possible at the present to the specific questions posed in his

aide-mémoire. He would realize that more definite replies simply could not be furnished at this time. I then read each of his questions and commented on each along the following lines.

(1) The proposal has been made that the North Atlantic Treaty have the same duration as the Brussels Treaty, namely, fifty years. The United States representatives had contemplated some shorter period such as 12 or 20 years, but have expressed no fixed opinion. The question remains open.

(2) I have already answered this question. I should add that the United States does not contemplate guaranteeing anyone.

(3) Conclusion of the Pact would not of itself imply any commitment on the part of any party to furnish military equipment to any other party. However, if a satisfactory treaty is concluded, it is intended to seek legislation authorizing transfer of military supplies and equipment to foreign governments. It is contemplated that the bill would provide requisite priority for implementation of coordinated defense programs formulated under collective defense arrangements in which the United States participates (the North Atlantic Pact). Such programs would be based on "continuous and effective self-help and mutual aid," each participant contributing what it most effectively can.

(4) See answer to question (3). Some United States material of certain types will be available for transfer in implementation of such programs immediately after passage of such legislation; other types of material will have to be manufactured. Allocation of such material remains to be determined.

(5) See answer to question (3). The British Government might well be asked about this by Norway.

(6) The first part of the question has been answered. The answer to the second part is "No". What facilities in what countries may in the future be deemed desirable to enhance the security of the North Atlantic area can only be determined in the future by the consultative machinery envisaged.

(7) In the view of this Government denial to any aggressor of the territory or waters of any party is of strategic importance to every other party.

I asked if he wanted to put any further questions in order to meet the requirements of his Government. He asked whether the United States would be able to come immediately to the defense of Norway if attacked, in view of our Constitutional restriction to Congress of the power to declare war. I replied that he was, as he knew, getting into a delicate question, but that we envisaged the Pact as a coordinated whole designed primarily to make war less likely by the very existence of the Pact; secondarily, further to decrease the likelihood of attack by increasing the strength of the parties, and only thirdly to cover action should an attack nevertheless occur. He asked whether the Norwegian Government, if it desired to partake in the talks, would be committed to membership in the Pact. I said that no nation would be

committed until it had signed and ratified the treaty. He asked how soon Norway might participate if it found that it wished to. I said I thought the appropriate time would be in the next stage, which should be reached in about a week, after the participating Governments, including our own, had signified their approval of the Draft Treaty as a tentative document for further consideration and amendment by the Governments which had already discussed it as well as those which might join.

I expressed regret that Mr. Lovett had had to go home in the middle of the afternoon because of his cold and would therefore be unable to see the Ambassador. He said he understood quite well.

The Ambassador seemed pleased with the material he had received and hastened off to instruct Nielsen ² who is taking the midnight train for New York, and will fly January 1 to Oslo.

JOHN D. HICKERSON.

² Sivert A. Nielsen, Second Secretary, Norwegian Embassy.

THE DIPLOMACY OF THE EUROPEAN RECOVERY PROGRAM: ESTABLISHMENT OF THE ORGANIZATION FOR EUROPEAN ECONOMIC COOPERATION (OEEC)¹

S40.50 Recovery/12-3147: Circular telegram

*The Acting Secretary of State to Certain Diplomatic Offices
in Europe*²

RESTRICTED

WASHINGTON, December 31, 1947—11 a. m.

An important factor in US support of ERP both with public and Congress will be extent to which participating countries give evidence of continuing the cooperative action begun with CEEC. It would be most unfortunate if belief grew that CEEC countries, having produced requirements statements, were not taking adequate further steps to encourage and develop economic cooperation but were waiting for US action.

Dept is aware of start made by customs union study group and of clearing arrangement and of ECE activities; also has requested copies of recent Bevin statement on this subject. There are other fields of cooperation, including those in Chap V CEEC general report³ in which action could be started.

You are requested to cable short summary of cooperative economic action since CEEC in which country to which you are accredited has taken part and any action projected for near future, sending details by air. Please keep Dept currently informed re developments along this line. Concern of US Govt in this matter should be communicated to appropriate officials as occasion may arise.

LOVETT

¹ For documentation on the origins of the European Recovery Program (the Marshall Plan), see *Foreign Relations*, 1947, vol. III, pp. 197 ff.

² Sent to diplomatic offices in all CEEC capitals.

³ This official report prepared at the conference was released in September 1947, and was issued as Department of State Publication No. 2930.

S40.50 Recovery/1-248: Telegram

*The Chargé in the United Kingdom (Gallman) to the Secretary
of State*

SECRET

LONDON, January 2, 1948—7 p. m.

16. 1. We think recent major political and economic developments in the UK and Europe may make it desirable for the 16 Marshall Plan

countries to take further action now with respect to the European Recovery Program. These developments include

(a). Formation of Cominform and Communist open declaration of war on Marshall Plan and European reconstruction;

(b). Epochal split in French CGT, defeat of Communist strike in Italy, and open attack by UK Communist Party on Labor Government;

(c). Break-down in CFM meeting on Germany; and

(d). Depression, apathy and uncertainty in Europe this winter owing to economic stringencies and political tensions.

2. The next few months are critical if we are to retain the initiative and keep the Communists on the defensive. This may not be easy in the face of possible protracted congressional debate on European Recovery Program. However, bold concerted action in this interim period by the 16 Marshall Plan countries might serve to catch the imagination of the people of Europe and America; assist in solidifying the gains now being made against the Communists; strengthen Socialist and center groups, and reduce the still dangerous possibilities of political polarization between the extreme Right and Left.

3. The President's message to Congress on European Recovery Program¹ had a uniformly favorable reception here from all important quarters. On the other hand, the British Government has been severely criticized by Left-Moderate and Moderate opinion for its failure to call another conference of Marshall Plan countries in order to consider as a matter of urgency ways and means of instituting self-help programs envisaged in Marshall Plan, and to devise the European side of the European Recovery Program organization.

The *Economist* recently charged that "instead of dealing with a responsible European organization, the Americans may find themselves struggling with a rabble of queue-breaking clients". It is fully appreciated here that Marshall aid is only supplementary of Europe's own efforts, and there is a fear that precious time is being lost on this side of the Atlantic in activating Europe's role. One of the psychological consequences of inaction in Europe is that it lends support to Communist propaganda that the Marshall Plan is purely an American venture. There is thus domestic pressure on the British Government to take vigorous steps with European governments in initiating further joint self-help discussion preliminary to actual receipt of aid from America.

4. We believe that Bevin might well take the leadership in recon-

¹For the text of this special message, see: *Public Papers of the Presidents: Harry S. Truman: 1947* (Washington, Government Printing Office, 1963) pp. 515-529.

vening CEEC and in setting up the organization contemplated in paragraph 113 of CEEC report re joint European organization.

5. Pending congressional action on European Recovery Program, European organization might concentrate its attention on elaborating and reviewing the essential self-help measures of each government. It seems from here that such action would have favorable political results within European countries, and would be favorably received in the US. It would also dispel the notion that the CEEC countries are interested primarily in how much aid they can obtain from US rather than in what they can do to help themselves.

6. Please instruct if Department believes Foreign Office should be approached on above lines to ascertain reaction.

7. Depcirtel December 31, 11 a. m. received after foregoing drafted, report follows but would appreciate early instructions as relevant interviews will provide opportunity to present suggestion of UK initiative Paragraph 4.

GALLMAN

840.50 Recovery/1-548 : Telegram

The Ambassador in Sweden (Matthews) to the Secretary of State

SECRET PRIORITY

STOCKHOLM, January 5, 1948—7 p. m.

18. Depcirtel December 31, 11 a. m. and mytel 6, January 2.¹ I find a widespread failure in Sweden to place any confidence in early practical results of cooperative action begun with CEEC. There is a tendency to welcome ERP as helpful to the reconstruction of Europe and therefore indirectly helpful to Sweden; as I have reported there is, however, no sense here of the urgency and vital necessity of ERP if a chain of political and economic developments is not to be started which would ultimately end Sweden's own independence. There is, furthermore, a tendency to feel that it is in the security interest of the US and required by our need to maintain American export markets for the US to see ERP through. In any event Swedes feel they have already made their contribution to Europe in credits extended after the war.

In view of the great influence and authority which Dag Hanmar-skjold had in the Swedish Government, I urge that the Department have a frank and emphatic talk with him in the sense of its Cirtel December 31 prior to his departure from Washington.²

MATTHEWS

¹ Telegram 6 from Stockholm, not printed.

² In telegram 23 to Stockholm, January 15, 1948, not printed, the Department informed the Embassy that after an exchange of views, the Swedish Financial Advisor and Envoy (Hammerskjold) promised to inform his government of the U.S. position (840.50 Recovery/1-548).

840.50 Recovery/1-748: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, January 7, 1948—3 p. m.

92. At a meeting here yesterday evening between French and British representatives concerned with CEEC matters, Hall Patch ¹ informed the French that the British Foreign Office had been told by Washington that it was desirable to resume CEEC activities on a more formal basis. (French official commented to me that they were pleased to receive this information because, although they had believed it desirable to proceed with European cooperative efforts, they had previously understood that Washington was reluctant to have the conference reconvened during the period of Congressional consideration of ERP.)

At a working level, French and British representatives yesterday evening prepared a proposed program along the following lines:

a. French and British representatives to go to principal European capitals to explain purposes of reconvening CEEC.

b. Bevin ² to reconvene the conference at Paris for the beginning of February.

c. The conference to be of short duration, possibly only one week.

d. Conference agenda to include the following:

1. Review of mutual aid and self-help measures taken since the issuance of the initial report;

2. Planning future measures of European economic cooperation;

3. Discussion of provisions which should be included in any multilateral agreement;

4. Establishment of a small working party to (a) direct activities of specialized committees and groups, (b) act as liaison agency with Washington, (c) prepare plans for the multilateral organization.

e. It is proposed that the working party would consist of representation similar to the executive committee; namely, United Kingdom, France, Italy, Benelux and a Scandinavian representative, preferably Swedish. The working party would meet twice a month, moving from one capital to another to avoid any impression of Franco-British dominance.

The foregoing is to be submitted to Hall Patch and Alphan ³ and subsequently to the respective foreign ministers. It was emphasized that the planning was in its initial stages and that the foregoing sug-

¹ Sir Edmund Hall-Patch, Deputy Under-Secretary of State, British Foreign Office.

² Ernest Bevin, British Foreign Secretary.

³ Hervé Alphan, Director of Economic Services, French Ministry of Foreign Affairs.

gested no agenda and procedures would be subject to some changes before finally approved by the governments.

Shall keep the Department informed of all developments in this matter.

Sent Department 92, repeated London as 2, Rome as 5.

CAFFERY

840.50 Recovery/1-548: Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, January 8, 1948—6 p. m.

59. Urtel 16, Jan 2 and 34, Jan. 5.¹ Press here carrying stories on consideration being given in France and Britain re reconvention of CEEC. AP indicates purpose would be "exchange views on conditions which may be imposed by US on countries receiving aid, to consider work of the technical committees set up in Paris last September and to debate economic cooperation among sixteen nations". *Times* indicates meetings are being pushed by French for purpose strengthening further the economic cooperation between nations that would benefit under ERP and article indicates Brit are lukewarm to suggestion because they do not see purpose such gathering would serve at present.

Before we would be prepared make definite suggestions concerning reconvention CEEC further info re purposes meeting would be desired and we shall also wish sound out Congressional opinion here. If there is genuine desire reconvene CEEC to plan further measures self-help and to review events since Paris meeting² such action might be most useful. Question of timing however would play important part. Until Congress has given some clear indication its intentions we do not feel that either we ourselves or CEEC would have firm ground to work on. We therefore would question utility or wisdom of any meeting of CEEC before Committee hearings in Congress have sufficiently progressed to clarify Congressional intentions. Furthermore, if CEEC should devote itself to debate on "acceptability of U.S. conditions for the granting of aid" or became exercised over statements by individuals during the debate and felt constrained to express views such

¹ Telegram 34 from London, not printed, indicated that the British Cabinet was still determining policy. In response to press criticism of apparent government inaction, the Foreign Office said that it was prepared to play an active role after Cabinet decision. Foreign Office officials had also mentioned the possibility of sending a representative to Paris. (840.50 Recovery/1-548)

² Reference here is to the meeting of the Committee of European Economic Cooperation in Paris July 12-September 22, 1947. Official reports prepared at the conference were released in September and October 1947 and were issued as Department of State Publications 2930 and 2952.

meeting might be dangerous. We recognize that at sometime prior to enactment of legislation it will no doubt be desirable to make it possible for ERP countries to express views concerning conditions of aid. The injection, however, of this element into Congressional consideration of question would at this time be most unwise. We would appreciate receiving any further info you may be able to secure re motivation behind present consideration reconvening CEEC.

MARSHALL

S40.50 Recovery/1-948

*Memorandum of Conversation, by Mr. Edgar L. McGinnis, Jr., of the
Division of North and West Coast Affairs*

RESTRICTED

[WASHINGTON,] January 9, 1948.

Participants: NWC—Mr. Mills ¹

—Mr. Alzamora, Minister Commercial Coun-
selor, Peruvian Embassy,

NWC—Mr. McGinnis.

Mr. Alzamora called upon Mr. Mills today to discuss the Peruvian Foreign Minister's recent statement regarding the European Recovery Plan. Mr. Alzamora explained that he had called to ascertain the Department's reaction to the Foreign Minister's statement.

Mr. Mills explained to Mr. Alzamora that the Department was grateful to receive the views of the Foreign Minister on this important subject and handed him a draft of a message to Lima (not sent), containing the Department's general views with respect to the Foreign Minister's suggestions. The draft indicated that the Foreign Minister apparently lost sight of the fact that the ERP is a rehabilitation program and not a long-range program for economic development. It further brought out that without recovery in Europe there can be no general prosperity, and that while orders for industrial equipment and supplies for Latin America might be delayed as the result of the shipment of large amounts of goods from the United States to ERP countries, the US will endeavor to administer its export controls in an equitable manner to provide for the essential needs of Latin America and to avoid, as far as possible, the disruption of development projects in the other American Republics.

With regard to the Foreign Ministers specific suggestion that large scale European emigration to Latin America would solve European economic ills, the draft indicated that such a plan would require considerable time and hence would not solve the immediate problem. Fur-

¹ Sheldon T. Mills, Chief, Division of North and West Coast Affairs.

thermore, CEEC reports emphasized labor shortages in certain ERP countries and indicated that it was difficult to meet this shortage by transfers from surplus countries since surplus labor largely consisted of unskilled workers. The draft concluded with the statement that this Government's determination to aid Europe did not imply a lack of interest in the economic problems facing Latin America. To the extent that supplies from [for] Europe are procured from Latin America for dollars, the latter's trade position will be improved. Thus through ERP, the International Bank, private investment and the Export-Import Bank this Government feels that the problems of the other American Republics can largely be met.

After reading the draft Mr. Alzamora asked whether the Department was aware of the reaction of other countries of Latin America to the Foreign Minister's proposal. Mr. Mills said that he had heard nothing on the subject. He told Mr. Alzamora that the Department would shortly despatch a telegram to our Embassy at Lima, requesting our Ambassador to thank the Foreign Minister for his views and to inform him that they would be given careful study. The Ambassador would also be requested to tell the Foreign Minister that the latter's statement would be referred to the Committee of the Inter-American ECOSOC which is charged with studying the effect of the ERP on Latin America. Mr. Mills indicated that this Government's views on the Foreign Minister's statement would be made known through that committee.

Mr. Alzamora did not present any strong views with respect to the statement of his Foreign Minister and agreed with Mr. Mills that Latin America would doubtless be more interested in obtaining skilled workers rather than unskilled laborers from Europe.

Mr. Mills also mentioned to Mr. Alzamora that large numbers of DPs in Europe were already available for emigration to other countries.

740.00119 Council/12-2447 : Telegram

The Secretary of State to the Embassy in Belgium

TOP SECRET

WASHINGTON, January 10, 1948—3 p. m.

40. Embtel 2040 Dec 24.¹ We appreciate Spaak's speaking so frankly and share his concern. He is of course aware that considerable degree Western European "disorganization" compared to "organization" in East is inevitable price of democratic processes and mutual respect for national sovereignty in contrast to Eastern totalitarianism and complete Soviet control of satellites. We consider voluntary coopera-

¹ Not printed, but see footnote 1, p. 3.

tion and concerted action by independent countries democratic counterpart to dictation of totalitarianism. Whole concept of ERP is effort to replace such disorganization by maximum concerted cooperative effort. We have already exerted considerable leadership not only in connection with ERP but relative to UN and its specialized agencies. We know this is "not enough" and are constantly seeking means of promoting more effective action. Our leadership must necessary be general in character. More specific leadership on European problems must come largely from within Europe and Spaak seems to us excellently qualified to extend it. We have following comment on your four points:

(1) "Putting European house in order" seems to us basically to mean maximum national and cooperative effort to increase production and trade, balance budgets and stabilize currencies. Europe will receive frequent reminders that it must rely primarily on its own efforts from forthcoming Congressional debates on ERP and ensuing debates on appropriations which will recur annually. Top level ERP administration will also undoubtedly constantly emphasize this aspect and may find it useful to advise and encourage certain courses of action.

(2) As Spaak knows we have always favored Belgian and Netherlands participation in consideration and settlement of German problems. Developments at London CFM² mean that there will be discussions in which Russians will not be able to block such participation. We look forward to it but would ask Spaak's patience if it does not materialize as speedily as he would wish.

(3) Current exchange situation of Belgium's debtors offers little prospect of early liquidation of blocked credits. General expansion of production and trade seems only real cure. We are still interested in and favorable to stabilization loans but "only after domestic measures in countries concerned are bringing about balance both in internal finance and, after allowances for external aid, in their balance of payments" (See pp 50-52 Title 3 outline of ERP).

[Here follows a discussion of Spaak's point No. 4, dealing with security, the text of which is printed on page 3.]

² For documentation, see *Foreign Relations*, 1947, volume II.

to state on behalf of their Govts that they considered it desirable to convene a short session of the CEEC in Paris about the middle of Feb. The purpose of meeting would be to examine progress achieved in all fields since the Paris Conf, to exchange views on the multilateral agreement foreshadowed by the Pres in his message to Congress,¹ and to set up a working party which would be charged with preparing the foundations for the future organization. It was explained that purpose of call was to give US advance information of the Brit-French proposal and to solicit views in particular as to the suitability of the suggested date of meeting.

The Under-Sec replied there were important considerations to be borne in mind before decision as to meeting should be taken. He emphasized it was by no means certain that ERP would be approved either in time or with sufficient flexibility to make it workable. He felt that both Govts should be made aware of the difficulties inherent in the program and called attention to recent Congressional declarations such as those of Taft, Halleck,² and some of the Democratic members of Congress as indicating some of these. He thought, therefore, that the question of timing was most important. If the meeting should take place before Committee hearings in Congress had sufficiently progressed to clarify Congressional intentions CEEC would have nothing to go on and before that time it might prove harmful instead of helpful. It was impossible now to estimate when this time would be. There was reason to fear that consideration of ERP had been tied into domestic political issues which might further delay it. In any event he thought it would be at least two to three weeks before the situation was sufficiently clarified to enable us to give a firm estimate as to timing.

Mr. Lovett then went on to point out very real danger created if impression were to be given in any discussions of the multilateral agreement that European countries were discussing the attitude they would take in regard to conditions which might be imposed upon aid granted. Such would be fatal to the program.

Both Inverchapel and Bonnet³ pointed out that there was no intention on the part of their Govts to inject this element but Mr. Lovett replied that the impression had already reached the press that one of the reasons why the meeting was being called was the desire on the part of certain individuals to create a unified stand in respect to these conditions.

¹ Special Message to the Congress on the Marshall Plan, December 19, 1947; for text, see: *Public Papers of the Presidents: Harry S. Truman: 1947* (Washington, Government Printing Office, 1963), p. 515.

² Senator Robert A. Taft of Ohio, and Congressman Charles Halleck of Indiana, Majority Leader of the House of Representatives.

³ Henri Bonnet, the French Ambassador.

It was fully recognized here that a meeting of CEEC would at some point prove very useful but in our opinion it was too early at the present to envisage a date. Mr. Lovett suggested that what might usefully be accomplished in the interim would be work to show what had been achieved in the way of self help and mutual aid since Paris. Such information would be useful to present to Congress for the purpose of demonstrating more clearly that the European nations themselves were not sitting by waiting for aid to fall into their open mouths.

The Brit Amb had also been instructed to raise the question of bizonia and its possible representation at CEEC meeting. The Brit Govt had felt that should the meeting be held both the American military Govt and the Brit military Govt should be represented and that these representatives should speak for the joint undertaking. This question was not discussed in view of the US feeling that the meeting should be delayed although Bonnet indicated that the French zone would also be represented at any future session.

Sent to London as 104 repeated to Paris for the Ambassador as 82.

MARSHALL

840.50 Recovery/1-1348: Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, January 13, 1948—6 p. m.

122. 1. Special committee of Socialist information and liaison office (i.e. Socialist Int'l) which met London January 10-11 decided convene conference of Socialists Parties Marshall Plan countries to discuss ERP and endorse principle of American aid. British Labor and French Socialists Parties will sponsor conference scheduled London March 21. Italian (Nenni) and Swiss Socialists, who oppose Marshall Plan, will probably reject invitation, while Greek (Svolos) Socialists are not likely to be given [garble] by Greek Government.

2. Decision to convene this conference urged at Antwerp in December was opposed at that time by British Labor but Bevin last week gave Labor Party go-ahead signal.

3. Since break-down CFM conference¹ evidence is piling up that British Labor movement no longer intends take Cominform challenge and anti-British and anti-Socialist attacks lying down. In December Morgan Phillips² replied to Britain's Communist Party declaration of war against Labor Government; on New Year's Attlee³ broadcast an attack on Russia and Communism, and last week-end Morrison⁴

¹ For documentation, see *Foreign Relations*, 1947, vol. II, pp. 1 ff.

² General Secretary of the British Labor Party.

³ Clement R. Attlee, British Prime Minister.

⁴ Herbert Morrison, Lord President of the Council in the British Cabinet.

continued this attack in his Leicester speech. Britain's Trade Union Congress will convene Int'l Trade Union Conference on Marshall Plan shortly after WFTU meeting in February; and now British Labor Party has formally thrown its support behind Marshall Plan. These all indicate British Labor movement rapidly shifting from policy of "appeasement" to more vigorous defence British interests.

4. Healey, Director Labor Party International Department, does not think Socialist Marshall Plan conference will divide Socialist Int'l unless Communists force Eastern European Socialists to break their connections with western parties. There is evidence Communists are beginning exert such pressure. Next general conference Socialist Int'l fixed Vienna June 4-7.

5. Schumacher ⁵ attended London January 10-11 conference as full member and was given friendly welcome. London conference also condemned Franco Spain military court for passing sentences on Spanish Socialists.

Copy by pouch for Paris, Moscow and Rome.

GALLMAN

⁵ Kurt Schumacher, German S.P.D. party leader.

501.BD Europe/1-1348 : Telegram

The Consul at Geneva (Troutman) to the Secretary of State

SECRET

GENEVA, January 13, 1948—7 p. m.

18. From Porter. Myrdal ¹ today informed me of probable French position as given him by French source concerning Alphand-Marjolin ² talks this week with Franks ³ and Hall-Patch. Anticipated French Government will propose small permanent CEEC staff 20-25 persons in Paris headed by Marjolin. Functions this staff would be:

(a) Provide channel between individual countries and US recovery administration with aim establishing collective rather than direct US supervision of individual country programs.

(b) Coordinate individual country requests for particular commodities.

(c) Follow progress national commitments concerning production exports etc. undertaken at Paris conference or subsequently and report to US.

(d) Assist general coordination economic plans and negotiations between participating countries. Subordinate technical committees not

¹ Paul R. Porter, Deputy U.S. Representative and Chief of Mission, Office of U.S. Representative to the Economic Commission for Europe at Geneva. Gunnar Myrdal, Executive Secretary, Economic Commission for Europe.

² Robert Marjolin, Adjunct Commissioner General, French Reequipment and Modernization Plan.

³ Sir Oliver Franks headed the CEEC Mission to the United States in the fall of 1947. For documentation, see *Foreign Relations*, 1947, vol. III, pp. 338-470, *passim*.

contemplated since reported French view favors ECE technical committee instead. French source doubts calling March 18 steel conference contemplated in Paris report, believing ECE steel subcommittee would be preferable alternative.

Bidault expected to make public statement soon on progress European economic cooperation noting ECE work in recent months.

Sent Department as 18, repeated London as 1, Paris 1. [Porter.]

TROUTMAN

S40.50 Recovery/1-1548 : Telegram

The Ambassador in Turkey (Wilson) to the Secretary of State

CONFIDENTIAL

ANKARA, January 15, 1948—noon.

36. Foreign Minister and Secretary General Foreign Office have spoken to me separately and at length re "profound disappointment" felt here over indications Turkey is not to participate in credit under ERP for economic development which would permit Turkey make contribution to European recovery. Indications to which they refer are (1) press item, source unidentified, to effect State Department published estimate of requirements various countries under ERP beginning with Britain and ending with Greece at dollars 473 million but no mention of Turkey; (2) copy received at Foreign Office of "outline of a European recovery program" in which it is stated Switzerland, Portugal and Turkey had quick dollar resources as of June 30, 1947 equal to or in excess needs and will be presumed meet any western hemisphere deficit out of own dollar resources.

They told me President İnönü is "dismayed" at news Turkey is "left out". They quoted President as stating countries like Belgium, Netherlands, et cetera, receiving credits under ERP are "thousand times" more developed economically and industrially than Turkey and that unless Turkey received outside assistance for economic development, Turkey, which is having resources drained away by necessity heavy military expenditures against Soviet threats, will suffer economic collapse.

I told them I had no confirmation of press item to which they referred. As regards statement in "outline of recovery program"¹ re Turkey's gold and dollar holdings, thought this a factual statement [garble] representatives which indicated that in these respects Turkey was in fact in better position than most of other sixteen countries. I said I felt their remarks revealed misconception purposes and nature

¹ *Outline of European Recovery Program: Draft Legislation and Background Information: Submitted by the Department of State for the Senate Foreign Relations Committee: December 19, 1947* (Washington, Government Printing Office, 1948).

ERP. My understanding of purpose ERP is that it is to cover overall deficits of European countries arising from cost essential imports from western hemisphere after allowing for possibilities financing from other sources than US. I pointed out ERP was not intended to provide for general economic development on what might be termed normal basis. Financing for such purposes should be obtained from International Bank.

Furthermore, ERP reports specifically contemplate US meeting part of overall deficit through International Bank financing and as I read ERP documents Turkey is one of countries expected to resort to International Bank for assistance required in developing sound projects which would enable Turkey make positive contribution to European recovery. Outstanding projects which occurred to me were modernization rich coal mining basin at Zonguldak which should permit Turkey export three or four million tons of coal to western Europe, and modern agricultural machinery for increase cereals production.

In this connection, I recalled my constant urging during past year that Turkey present limited number sound economic projects such as coal mining to International Bank. Foreign Minister referred to statements made by Bank spokesman December 16 to effect Bank would take no further action on loans to nations involved in ERP until further progress made in plans for European recovery.

I pointed out this was logical statement and nothing in it implied that if Turkey presented to Bank sound projects related to ERP Bank would refuse to give them consideration. I also recalled Department's message (Deptel 684, December 2²) as clearly indicating Bank prepared give consideration requests from Turkey.

I again urged Foreign Minister lose no more time in getting Turkey's requests before Bank. He said budget debates during December prevented completion study Turkey's economic development plans but assured me coal mining and perhaps one or two other sound projects would be presented to Bank for informal discussion without further delay.

Secretary General said Minister of Finance prepared statement on Turkey's gold and dollar holdings and liabilities against these for communication to our Government. I will cable this information when received.

In meanwhile, I should appreciate Department's comments and views on foregoing, particularly indication nature Turkey's participation in ERP as presently envisaged by Department and whether it is contemplated Turkey will receive under ERP credits for projects

² Not printed.

presented to CEEC such as modernization coal mines or other similar projects.

WILSON

840.50 Recovery/1-1548

*The British and French Embassies to the Department of State*¹

Ref: 375/11/48

AIDE-MÉMOIRE

The British and French Governments fully appreciate that the position as regards the voting by Congress of a European Programme of aid is fluid. One of the main purposes of the proposals contained in their previous communication to the United States Government was as stated, to facilitate the task of the Administration and they are most anxious to avoid anything which would have the reverse effect.² At the same time, the two Governments feel it necessary to take into account the views of the participating countries, several of which have been urging that there should be another meeting of C.E.E.C. to provide an opportunity for consultation on the best means of furthering European co-operation.

2. The two Governments wish to emphasise that the discussion on the multilateral Agreement, which would have been one of the items on the agenda of the new Sessions of the C.E.E.C. would have had the exclusive purpose of reviewing the general mutual undertakings to which the participating countries had declared themselves ready to subscribe, and in no way to examine the conditions of American aid in general. The Press reports on this subject have been completely misinformed.

3. In view of the reaction of the United States Administration, the two Governments have abandoned the idea of holding an early meeting of C.E.E.C., but they feel they must hold early consultations with the other participating countries and have decided that a small Anglo-French Delegation should visit the main countries in order to review progress made with self-help and mutual help and to collect views on the best means of preparing the ground for the continuing organisation.

4. The two Governments are announcing their intentions in a communiqué to be issued simultaneously in London and Paris at noon G.M.T. on Friday, 16th January. A draft of this communiqué is attached.³

¹ Handed to the Under Secretary of State (Lovett) by the British and French Ambassadors (Inverchapel and Bonnet) on January 15, 1948.

² See the Department's telegram 104 to London, January 12, 1948, p. 359.

³ Not printed.

5. The two Governments wish to comment on the above communiqué as follows:—

(a) A main purpose of the consultations with the participating countries is to review progress towards achieving the aims of the Paris report. This would seem to be fully consistent with the views of the United States Administration.

(b) Consideration of preliminary steps towards the setting up of the continuing organisation (including possibly the constitution of a Working Party) would be an earnest of the intention of the participating countries to continue to co-operate. It would avoid delay on the European side in implementing any programme which may ultimately be authorised by Congress.

(c) Although no reference thereto is made in the communiqué, it is intended that the consultation should cover the method of considering, on the technical level, the commodity reports which have been tabled by the Administration.

(d) The statement in regard to a further meeting of C.E.E.C. has been introduced specifically to set at rest the fears expressed by the United States Administration. The two Governments will again consult the Administration when they think the time has come for a further meeting.⁴

WASHINGTON, 15th January, 1948.

⁴ The United States response to this communiqué was to suggest the addition of a sentence clearly pointing out that a full meeting of the CEEC would be premature until more definite decisions had been taken in Washington.

840.50 Recovery/1-1648: Telegram

The Ambassador in Sweden (Matthews) to the Secretary of State

SECRET

STOCKHOLM, January 16, 1948—8 p. m.

68. At a reception for Governor Youngdahl of Minnesota this afternoon attended by most of the Swedish Cabinet the one topic of conversation was the statement concerning American military bases as *quid pro quo* for ERP aid attributed to Secretary Forrestal by Reuters (mytels 63, 64, 67).¹ I assured the Prime Minister the Foreign Minister the Minister of Commerce and other prominent Swedes that the official report of Secretary Forrestal's testimony received in our radio bulletin (No. 12)² did not contain any reference whatsoever to the subject of possible American military bases in ERP countries though a full account of his testimony was contained therein. I said that whatever statement on the subject of bases may have been made in reply to questions from Congress I was confident of one thing: it would be contrary

¹ Telegrams 63, 64 and 67 from Stockholm, January 16, 1948, not printed, contain press reports concerning the statement attributed to Secretary Forrestal (840.50 Recovery/1-1648).

² Department of State "Wireless Bulletin" January 15, 1948.

to the entire approach that Secretary Marshall had taken as well as to the approach of Congressional leaders and the several commissions appointed by the President to study the problem of ERP aid to seek military bases as compensation.

They were relieved to hear this and each one separately said that he had been shocked by the news report and found it difficult to believe that the two questions had been linked.

Of course I cannot judge the larger issues and the feelings of Congress from this distance. I can only say that as far as Sweden is concerned the Reuter dispatch has set us back some weeks at least in the results we are endeavoring by strenuous effort to obtain in stimulating greater Swedish interest in and support for ERP and a greater sense of urgency. (I believe these efforts were beginning to take effect: Swedish press has been carrying more favorable comment on ERP and four Cabinet Ministers including Erlander³ himself expressed interest in and approval of my chamber of commerce speech Wednesday on the subject). The Reuter dispatch will give the Communists a field day for some time to come. They will cite it as proof positive of all they have been saying as to the "real" purposes of the Marshall Plan.

Sent Department 68, repeated Paris 21, London 24, Copenhagen 8, Oslo 8.⁴

MATTHEWS

³ Tage Erlander, Prime Minister of Sweden.

⁴ In telegram 77 from Stockholm, July 19, 1948, not printed, Ambassador Matthews noted that a partially clarifying Reuters telegram was published in the Sunday papers, as were corrective stories. The Ambassador believed that some of the harmful effects of the original Reuters story had been overcome. (840.50 Recovery/1-1948)

840.50 Recovery/1-1648: Telegram

The Chargé in Belgium (Millard) to the Secretary of State

TOP SECRET

BRUSSELS, January 16, 1948—9 p. m.

107. Have just conveyed to Spaak full substance Deptel 40, January 10, 3 p. m.¹ He expressed cordial thanks and described Department's views as, "very interesting." He said he would give the points covered by Department careful thought and would get in touch with me later for future discussions.

Spaak said he noted in press we had discouraged British and French proposal to reconvene CEEC; he thought European initiative a good one; and asked if I could cast any light on this. In reply I conveyed

¹ *Ante*, p. 358.

to him sense Department's information telegram January 14, 11 a. m.² He seemed fairly satisfied as to my reply, but pointed out he doubted CEEC would take attitude Department feared.

Spaak then referred to question of liquidation of blocked Belgian credits. He said, while it was true general expansion of production and trade would be helpful under normal conditions, in actual practice European trade is being reduced due to financial limitations. He had just returned from Netherlands where he had endeavored make arrangements continue former level Belgian exports, but was informed that without credits Dutch could not accept more from Belgium than Netherlands can export to Belgium. Similar situation obtained in France. It was a little better with British, but tendency was same. It was all very well say that country must produce more but, for example, to do so Dutch would have to purchase equipment and under present basis of minimum balanced barter they could not do this. Thus European trade was suffering from a kind of descending spiral. Spaak said this theory of production and trade as cure was one point on which he had never been able to agree with Clayton³ and that present problem is largely financial.

Spaak said the Luxembourg Minister, who had just preceded me, had told him that French Minister in Luxembourg and French Ambassador in Brussels had said French wish to join Benelux. Spaak told me he could not believe the French would be willing to join Benelux customs union and that perhaps their action was just a gesture for publicity with nothing much behind it. He added this was the first he had heard of it.

MILLARD

² The reference is actually to the Department's circular telegram of January 13, 1948, 11 a. m., in which the Department informed its missions "that until Congress has given some clear indication of its intentions toward ERP we do not feel that either we ourselves or Committee of Eur Ecom Cooperation would have firm ground to work on and we therefore question utility or wisdom of any reconvening of CEEC before committee hearings . . ." (S00.00 Summaries/1-1348)

³ William L. Clayton, formerly Under Secretary of State for Economic Affairs, and a major architect of United States post-war international economic policy.

840.50 Recovery/1-1748: Telegram

The Ambassador in Turkey (Wilson) to the Secretary of State

CONFIDENTIAL

ANKARA, January 17, 1948—3 p. m.

47. Embtel 43 January 16; 36, 40, 41, January 15.¹ President İnönü asked me see him last night and together with Foreign Minister we discussed for over two hours Turkish position in ERP.

¹ Telegrams 43, 40, and 41 not printed.

President said reports from Washington that Turkey would be expected finance procurement out of own resources equipment for mineral agricultural production as contribution ERP, have been "severe blow" to him personally and to Turkish Government and he feared would have most unhappy effect on Turkish public opinion. President said he was convinced studies made in Washington which led to foregoing conclusion must be based on statistics of some months ago and failed take into consideration present and future obligations against Turkish gold and foreign exchange as well as steadily worsening trade balance during recent months. He pointed out Washington estimate \$140,000,-000 Turkish surplus with nonparticipating countries during recovery period cannot be in dollars but only in exchange nonconvertible in dollars and hence nonusable for purchase equipment in US.

President read me excerpts from telegram from Turkish Ambassador Washington reporting conversation with State Department officials January 13 regarding ERP in which Ambassador was informed Turkish position as laid before CEEC was in nature requirements for economic development program rather than contribution to ERP; but if Turkey would prepare plan for contribution to ERP this would be given consideration. In other words said President door is not closed.

President said there was also a morale problem involved. He said Turkish people conscious of fact they have been under Soviet guns since spring 1945 and have in effect been holding fort for western democracies with heavy burden on Turkish economy. Turkey fully desirous contributing to ERP but convinced some financial assistance required to make this contribution effective and if Turkish people are now to understand it is considered opinion US Government, Turkey is not to be assisted by credits but must use its extremely limited and fast dwindling gold and foreign exchange assets for this purpose, there will be deep misunderstanding and disappointment throughout Turkey with feeling Turks have been let down.

President said even if US conclusions drawn from statistical studies regards Turkish position were correct—and he was convinced they were not and that US would so recognize—there are important factors other than statistical involved and it would be impossible to explain complex situation to mass Turkish people in a way to satisfy them that omitting Turkey from credits was justified.

President said instructions would be sent Turkish Ambassador Washington present this problem to State Department with current request for reappraisal Turkish position with view obtaining credits under ERP to enable Turkey make contribution through mineral agricultural production.

President reiterated his concern over reactions Turkish Parli-

mentary and public opinion and instructed Foreign Minister to explain situation to Parliamentary groups in confidence and to see that Turkish press guided in sense final word not said in Washington and discussions were continuing.

WILSON

840.50 Recovery/1-1948 : Telegram

The Ambassador in Turkey (Wilson) to the Secretary of State

CONFIDENTIAL

ANKARA, January 19, 1948—2 p. m.

49. For Under Secretary Lovett. I should appreciate your glancing at my telegrams, 43 January 16, and 47, January 17, and asking for summary my telegrams 36, 40, 41, January 15, re Turkish position in ERP.¹

I feel we have real problem on our hands in this matter. From studies we have made here I am convinced Turkey cannot finance out of unpledged and unearmarked gold and foreign exchange equipment needed for mineral agricultural production to contribute to ERP. Furthermore, Turkish foreign trade balance is running strictly in deficit: in last 10 months import deficit with US of \$26,000,000, with other American countries deficit of three and half million dollars, and trade surplus with nonparticipating countries equivalent of only five and half million dollars. I have heard that Turks failed present up-to-date balance payment figures and that studies re Turkish position may have been made on out-of-date figures. If so, this was of course Turk fault, but does not alter facts of present situation.

Turkey wants to cooperate and in fact will be able make substantial contribution to ERP but does require credits for this purpose.

What strikes me particularly in overall picture is invaluable asset which Turkey presents to US in our effort maintain stability and peace in Middle East. This country has been in front line against Soviet threats since spring 1945 and Turks feel they are doing good job for US and other western democracies at heavy cost to their economy in maintaining large military forces. Turks will feel they have been badly treated indeed if they are told to go out and buy needed equipment out of inexistent assets. Amount money involved for credits would not be large in any case and credits would be fully repayable. I feel value of action in granting credits not only warranted by statistical position Turkey, but more than justified in terms relations between Turkey and western democracies.

WILSON

¹ Telegrams 43, 40, and 41 not printed.

S40.50 Recovery/1-1748 : Telegram

The Secretary of State to the Embassy in Turkey

CONFIDENTIAL

WASHINGTON, January 21, 1948.

29. Estimates regarding Turkey's role in ERP as presented to Congress based on following considerations:

1. Turkey's general economic position exclusive military factors equal or above pre-war. Hence Turkey itself not faced with economic recovery problem per se. ERP not designed to cover military or economic development problems. Hence Turkey can expect under ERP only allocation of such commodities in short supply as are essential maintenance present level Turk economy or will make a greater contribution to general European recovery if sent to Turkey rather than to other European countries.

2. Chief short supply items tentatively estimated for distribution to Turkey first fifteen months of program starting April are:

(a) \$17 million agricultural equipment, \$6.8 million to come from U.S., \$1.1 million from Canada, \$9.1 million from participating countries.

(b) \$5.4 million mining equipment, one million from U.S. and \$4.4 million from participating countries.

(c) \$5 million electrical equipment, two from U.S., three from participants.

(d) \$9 million trucks, all from U.S.

(e) \$2.7 million freight cars, all from participants.

(f) \$14.2 million finished steel, five from U.S., \$8.5 million from participants, balance from non-participants.

(g) \$12.3 million petroleum products, \$7.5 million from U.S., balance from non-participants.

(h) \$10 million timber, three from participants, seven from non-participants.

3. Total estimated 15 months imports from U.S. and Western Hemisphere ex freight \$58.9 million, total estimated exports \$69.8 million, merchandise surplus \$10.9 million, deficit on freight and other invisibles \$10.1 million. Net surplus \$.8 million. Imports from dollar areas ex freight estimated at 1946 rate.

4. Reurtel 41, Jan 15, estimated \$140 million surplus with non-participants over entire recovery period recognized as somewhat unrealistic. Anomalies exist in data submitted to Congress for many countries, resulting from certain technical and administrative difficulties arising from magnitude and unprecedented nature of job of reconciling individual and aggregate commodity and balance of payments analyses for 17 countries several areas in short space of time available. Probable reluctance of Turkey to accumulate surpluses of inconvertible currencies recognized, and solution to payments problem

being sought, but no commitments can be made Turks at this time pending Congressional developments. It is hoped Turks will export on credit to some extent to aid recovery of European economy with which Turkish economy remains strongly linked.

5. Formula of 25 percent gold reserve against note issue and working capital for current trade was used as very general guide. Considered unreasonable for Turks to add repayment of FRBNY and IMF loans and provision for all imports without allowing for exports. (Urtel 40, Jan 15).¹ Turks should continue to utilize credit sources available to them without burdening ERP appropriations required for countries with no other credit sources. Position of Switzerland, Portugal and Turkey so obviously better than that of other European countries that it was essential to admit distinction before Congress forced issue. For your info, Congress may insist that several countries receive aid only on loan basis.

6. Should be emphasized to Turks that figures presented to Congress are in no way intended to fix actual pattern of program. They have no status as either commitments or rejections. Aid Administrator will have broad discretion. Turks are free to undertake to persuade him that additional items for Turkey will assist general European economy, or that Turkey needs financial aid. Reurtel 47, Jan 17, it is unlikely figures presented to Congress will be changed substantially, since they are for illustrative purposes only, and probably as good as any others for that purpose. Time for decision will be after appropriation of funds and appointment of administrator.

7. Since situation here highly fluid and complex, Emb urged in so far as possible to refer Turks to Washington for explanations. Dept can keep Turk Emb informed of developments and assist presentation Turk views on day to day basis. Please try to convince Turks Ankara that

(a) Turkey's cooperation in ERP desired.

(b) Turkey's share under estimated distribution of available items in competition with other states whose need is greater constitutes in itself substantial aid, enabling Turkey to begin modernization agricultural and mining without waiting for all needs of Europe to be satisfied.

(c) U.S. not forgetting Turkey's military problems and need for economic development, but these must be handled outside ERP.

(d) American opinion re (c) will be influenced by extent to which Turkey cooperates in accomplishment U.S. objective of European recovery, which is also vital to Turkey because of need for healthy Europe for permanent Turkish prosperity.

While ERP is basically political in concept, distribution of funds must necessarily be based on relative needs. If Turkey can demon-

¹ Not printed.

state greater relative need flexibility of program will enable administrator to make readjustments. Turks have other sources of credit for economic development as you properly brought out in conversation reported urtel 36, Jan 15. We fully recognize political importance of Turkey and have already invested \$100,000,000 as token of confidence.

MARSHALL

840.50 Recovery/1-2348 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, January 23, 1948—midnight.

320. Cattani, acting head of Economic Section, Foreign Office informed us today that British and French representatives dealing with ERP discussions have arrived in Rome. Four points upon which discussions will take place here are as follows :

1. Suggestion that a progress report be made by each country bringing national situation up to date as related to Paris Conference report last summer;

2. That the Secretariat of the Paris Conference prepare a combined progress report for all sixteen countries;

3. Discussion of form of European organization to deal with coordination of recovery problems et cetera. In this regard Cattani says the Italians are suggesting as a means of avoiding many complications of a general organization that regional groups of countries whose problems are more closely interrelated deal with regional cooperation and coordination and be knitted into general organization through liaison representatives. Italians are not in favor of a general conference at this time. As to future European organization, they prefer to discuss the matters on a regional or even on a bilateral basis;

4. That the applications submitted at Paris for the allocation of American assistance to each country be restudied in light of present circumstances.

DUNN

501.BD Europe/1-2348

*The British Embassy to the Department of State*¹

CONFIDENTIAL

AIDE-MÉMOIRE

M. Myrdal, the Executive Secretary of the Economic Commission for Europe, has summoned the third session of the Commission for the 31st of March, 1948. This date represents a postponement from January, 1948, since the General Assembly recommended that the first two sessions of 1948 should be merged.

¹The *aide-mémoire* was presented to Ambassador Douglas, then in Washington, by Ambassador Inverchapel.

2. The United Kingdom representative, supported orally by the United States representative, has recommended further postponement until May. He was instructed to give as his reasons:

- (a) The need for additional time for committees and working parties to report to the Commission.
- (b) The fact that two major United Nations conferences (Maritime and Freedom of Information) were to meet in March and April and that E.C.E. should not clash with these conferences.

3. The Department of State agreed to support a postponement until May unless there was wide support for a March meeting or unless urgent new problems should arise in the meantime.

4. After seeking the advice of the Danish Chairman and Polish Vice-Chairman of the Commission, the Executive Secretary has decided to disregard the United Kingdom request and to go ahead with plans for the 31st of March. It appeared from a talk between M. Myrdal and the permanent United Kingdom representative to the Economic Commission for Europe that the real reason for the former's change of mind (he had hitherto been strongly in favour of a postponement from the Secretariat point of view) was a visit from the Soviet Minister at Berne, who had told him that his Government had no objection to the March date.

5. The United Kingdom views have been represented to Mr. Owen, the Assistant Secretary-General for Economic Affairs, who seems to think that a short postponement may be necessary. The United Nations Secretariat, for their part, are independently preparing a paper which, by showing that a meeting of the Economic Commission for Europe in April is organisationally and financially impossible, suggests that in their opinion May is the earliest practicable date.

6. The Governments of Belgium, France, Iceland, Norway, and the Soviet Union have agreed to the 31st of March.

7. Mr. Bevin has now asked His Majesty's Embassy to approach the Department of State and invite them to instruct their representative in Geneva to renew the United States request for a postponement until May with added vigour. The Foreign Office advance the following arguments for such a postponement, which the United Kingdom representative at Geneva will continue to support:

- (a) A considerable number of meetings of the Committees, sub-committees, and working parties of the Economic Commission for Europe are scheduled for January, February, and March, during which these bodies will be only just passing through their organisa-

tional period. Postponement of the full session of the Commission from March until May will give them a better chance of producing material worthy of consideration by the full Commission.

(b) The United Nations administrative staff in Geneva for their part are already heavily committed, especially with the Conference on Freedom of Information in April.

(c) Over and above considerations (a) and (b), the Soviet Government are likely to use the third session of the Economic Commission for Europe to attack the European Recovery Programme at a critical moment and may succeed in weakening, if not actually breaking, the unity of the sixteen countries. Whether or not the Soviet Government have any particular strategy in mind, this meeting will give them an opportunity to sabotage the European Recovery Programme of which they can scarcely fail to take advantage.

(d) M. Myrdal, who appears to be lending himself wittingly or unwittingly to the Soviet tactics, may be anxious to have an early meeting in order to extend the scope of his committees, with the Commission's authority, beyond their present range, to a point which might well prejudice the C.E.E.C. continuing organisation and also cause a split in the C.E.E.C. ranks on this issue of the Economic Commission for Europe versus the C.E.E.C. continuing organisation. If successful, these efforts would cause a duplication of activity in the Economic Commission for Europe and in the C.E.E.C. continuing organisation for which His Majesty's Government cannot afford the manpower.

8. The Embassy has already discussed the relations of the Economic Commission for Europe and the C.E.E.C. with the Department of State, whose view is that the United Nations organisations should be used whenever possible and that the Economic Commission for Europe should not be prevented from doing any really useful work. In particular, the Department of State are unwilling to take a definite lead in the Economic Commission for Europe where they think that the majority wish of European countries should prevail. They are therefore unwilling to discourage an extension of the Commission's activities at this stage and have intimated that, only if any clear attempts are made to use the Commission to sabotage the European Recovery Programme, would they consider such action to be grounds for attempting to restrain further expansion and to shift the real work on any particular subject to the C.E.E.C. continuing organisation.

9. Mr. Porter, however, the United States representative to the Economic Commission for Europe, is said strongly to favour a postponement until May. The Foreign Office, who attach great importance to averting developments which might seriously prejudice the establishment and smoothworking of the C.E.E.C. continuing organisation,

are therefore hopeful that, on further consideration, the Department of State will agree that the third session of the Economic Commission for Europe should be postponed until May.²

WASHINGTON, 23rd January, 1948.

² In a memorandum to the British Embassy of January 31, the Department indicated that it preferred a postponement of the ECE meeting, and noted that: "While there is some doubt as to how the matter can be appropriately reopened, the preference for a May session will be expressed by the United States Representative if an appropriate occasion for the expression of such views arises. It is not felt, however, that the United States should take the lead in urging postponement of the next session of the Commission. As has been stated on previous occasions, it is the view of the Department of State that the initiative with regard to the forms and methods of economic cooperation between European countries is essentially a European question, to be determined largely by the European countries concerned." (501.BD-Europe/1-2348)

840.50 Recovery/1-2448 : Telegram

The Acting Secretary of State to the Embassy in Italy

CONFIDENTIAL

WASHINGTON, January 24, 1948—2 p. m.

202. As there is considerable doubt that Congressional action on ERP will be taken in time to make assistance under that program to CEEC countries possible during period Apr-June 1948, it is important that we know what economic and political consequences of delay may be. Dept therefore requesting missions in countries where economic outlook particularly difficult to appraise situation and telegraph comments.¹ If absence of US assistance during 3-month period would, in your opinion, result in reduction of rations, serious decline in production or other setback to recovery, or unrest prejudicial to political stability, pls indicate extent and timing of assistance needed to avoid such consequences. Your appraisal should be premised on hypothesis that assistance under ERP will not be available until July 1, 1948, but will be available thereafter, and that in period preceding July no new assistance is to be expected from US other than from sources already committed. Appraisal on these premises required to prepare for such eventuality but impression should not be given that this is expectation US Govt.

Pls review supply and foreign exchange position to ascertain Italy's ability to maintain indispensable import program through 3 month period. Can Italy, with prospect of recovery program assistance after July, find sufficient resources in gold, foreign dollar assets of its nationals, prospective credits, Interim Aid residual or other resources, to carry through period? Pls report situation as promptly as possible

¹ Similar telegrams were sent to U.S. missions in Vienna, Paris, London, and The Hague.

and in any case no later than Thursday, Jan 29. Suggest you use as guide type Info required for Interim Aid Congressional hearings.²

LOVETT

² For documentation regarding the Interim Aid program, see *Foreign Relations*, 1947, vol. III, pp. 197 ff.

840.50 Recovery/1-2748

*Memorandum of Conversation, by the Under Secretary of State
(Lovett)*

SECRET

[WASHINGTON,] January 27, 1948.

Participants: Lord Inverchapel—British Ambassador
Mr. Lovett—Under Secretary
Mr. Reber—EUR

During the course of Lord Inverchapel's call on me this morning, I told him that I could now give a reply to a question which he had raised when a further meeting of the CEEC was first broached. At that time discussions in Congress had not progressed sufficiently to make possible any estimate when an ERP plan would reach such a stage that it might usefully be considered by the CEEC nations. Pending this time we had thought that most useful work could be devoted to further improvement of multilateral organization. Discussions in Congress have, however, now reached the point where the congressional leaders, at least in the Senate, felt that hearings would be concluded and a committee plan be in shape by approximately February 10. If after that time a meeting of the CEEC were scheduled, they would have something to consider.

Lord Inverchapel said that as he understood it, we now felt the CEEC could usefully meet some time after February 15, to which I agreed.

840.50 Recovery/1-3048 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 30, 1948—6 p. m.

542. With reference my 30 [301], January 17,¹ Marjolin has conveyed to me following observations regarding CEEC activities:

1. Franco-British discussion in Rome and Bern followed outline transmitted mytel under reference.

2. General position taken by Swiss was *a*) that they intended to participate in multilateral organization; *b*) that due to the fact that

¹ Telegram 301, not printed, but see telegram 320 from Rome, January 23, p. 373.

Switzerland would not be a recipient country, their "special position" should be recognized, and *c*) that government would submit to the Federal Council question of Swiss representation on working party to draft constitution and setup of the multilateral organization.

3. Italians were very responsive and anxious to go ahead with a vigorous program at this time. No decision regarding constitution of working party or scope of its responsibilities will be reached until there has been consultation with additional countries. Franco-British team will go to The Hague to meet with Benelux countries at beginning of next week but due to fact that Scandinavian countries are now consulting among themselves, it is not planned for team to go to Scandinavia until around the middle of February. It appears unlikely therefore that working party will be organized until towards end of February. No replies have been received from those countries whose views were requested through diplomatic channels.

4. French and British have somewhat different views on two questions. Relative to size of working party, French, in interest of working efficiency, would prefer a small group composed of French, British, Swiss, Italians, Benelux and Scandinavian representatives. British appear to favor inviting each of the 16 countries to participate in this work. Secondly, French envisage multilateral organization as one composed of an assembly of representatives 16 nations to act on policy matters with a strong executive (secretary general or executive director) to direct and supervise both administrative, technical and operational work. British seem to prefer an Assembly organized along the lines of the UN Assembly with subordinate commissions or committees and with secretariat limited to purely administrative functions.

5. It is believed that during next two weeks individual country reports of United Kingdom, France and Italy will have been completed.

Copies by pouch to London, Rome and Bern.

CAFFERY

840.50 Recovery/2-548: Telegram

The Ambassador in Denmark (Marvel) to the Secretary of State

SECRET

COPENHAGEN, February 5, 1948—4 p. m.

119. Foreign Minister told me today Depcirtel January 29¹ Denmark has not planned its part under ERP on assumption assistance would commence April 1. He stated while the earlier assistance is given not only to Denmark but England and Germany the better it would be politically and economically; nevertheless he foresaw no irremediable

¹ Not printed.

effect upon Denmark even though program delayed until July. He expressed appreciation of knowledge of possibility of delay and said it would help in Danish planning.

While my views largely coincide with Foreign Minister's inherent danger from delay is possible failure Denmark to reach full agreement with UK because of dollar shortage Embtel 101, January 31² thus resulting larger quantities of Danish products being available when trade negotiations open with USSR.

MARVEL

² Not printed.

840.50 Recovery/2-748 : Telegram

The Ambassador in the Netherlands (Baruch) to the Secretary of State

SECRET

THE HAGUE, February 7, 1948—10 a. m.

85. RefParis 563, January 31 to Department, repeated The Hague 9, Brussels 12, London 56.¹ Embassy's impression from informal talks with various Netherlands officials is that Netherlands Government would not welcome and in fact would resist efforts either by French or American Governments to persuade Netherlands to enter into Customs Union with France (alone or with Italy). Netherlands Government appreciates arguments for step by step expansion Customs Union but favors as next step for Benelux (based partly on Benelux experience) broader approach including several major countries under aegis CEEC study group.

Reasons underlying Dutch attitude are: (1) Sensitiveness re French ambition regain dominating "old-fashioned" great power role; (2) fear of unfavorable economic consequences union with single large country (already under Benelux unfavorable trade balance with Belgium has necessitated agreement at Luxembourg involving Dutch dollar payments and Belgian acceptance blocked guilders). They fear possibility even more unfavorable balance under union with France (and Italy); (3) belief British participation union or indication such intention essential before Dutch could safely entertain French proposals. Dutch regard normally favorable balance with British as necessary safeguard against adverse development with France (Italy); (4) finally Dutch desirous satisfactory agreement with respect to Germany and assurance ERP assistance forthcoming before entering definitely into commitment vis-à-vis France.

Dutch anxious avoid offense to French and above all any impression non-cooperation ERP, but Embassy impression they will side-step

¹ Not printed.

agreement with French pending attainment at least some safeguards and objectives mentioned above.

Sent Department as 85, repeated London as 12, Paris as 10, Brussels as 12.

BARUCH

840.50 Recovery/2-748 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, February 7, 1948—5 p. m.

703. For State and Treasury.

1. Le Norcy has informed us that an informal meeting of representatives of signatory countries to multilateral compensation accord (France, Italy, Belgium, and Netherlands) is being planned for around February 25 in Paris. Purposes of meeting would be (a) to attempt to devise more practical procedure for use of "second category" offsets (those increasing certain balances or creating new balances), (b) to evaluate possible results of immediate injection of small amount of external aid into offset system, and (c) to initiate study for preparation of report on manner in which ERP aid could most effectively promote intra-European trade. This latter purpose would include exploration of possible extension of existing offset mechanism in connection with ERP.

2. Before making final arrangements, Le Norcy is anxious to know whether US administration perceives objections to early recommendations on use of American assistance or preferably whether US could give some encouragement to study. Our tentative comment to Le Norcy were that there may be difficulties in an early formal CEEC recommendation but that a technical report in view of experience should be useful. Please advise urgently.

3. In view of NAC decision on multilateral clearing mechanism,¹ we assume you will wish study by European countries to proceed. If meeting is scheduled, we might as technical advisors, suggest exploration of use of offshore purchase program and of counterpart in local currencies of American assistance. Your comments are requested.

4. A full meeting of delegates is scheduled to be held at Basle in March to deal with problems directly concerning offset operations and

¹ At its meeting on November 8, 1947, the National Advisory Council on International Monetary and Financial Problems concurred in the recommendation that "the voluntary adoption of a multilateral clearing mechanism on the part of some or all of the participating countries would be regarded favorably by the United States as a significant effort toward self-help on the part of those countries . . ." (Lot 60 D 137 Box 1)

tentatively to review in larger group possible results of February meeting. Le Norcy is confident that small amount of offsets will take place in February even though BIS was not assisted by meeting of delegates. He commented that a real difficulty was that governments of countries concerned had in many cases not encouraged central bank to do everything possible. As a result authorities of central banks were very cautious in conserving key balances. This is particularly true of Scandinavian countries. In Le Norcy opinion, it would be most helpful if responsible government authorities were made aware of importance attached to this concrete evidence of European cooperation.

Sent to Department as 703; repeated to Bern as 7.

CAFFERY

840.50 Recovery/2-948 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

CONFIDENTIAL

URGENT

LONDON, February 9, 1948—7 p. m.

493. Berthoud and Makin[s] of Foreign Office reviewed Anglo-French, Rome, Bern and Hague talks re CEEC as outlined in Paris telegram 301 to Department January 17.¹

1. Italy desires issue individual country report economic development since CEEC. Swiss afraid their report might be negative in view of recently imposed Swedish restrictions on Swiss imports. Benelux feels information already supplied to American missions sufficient but willing to use other form publicity. View this and imminent publication economic survey for 1948 ² UK reconsidering publication formal report.

2. Actually US already issued statement progress of cooperative efforts but CEEC secretariat preparing one.

3. Benelux and Italy are "very keen" establish working party but Swiss reserving their position. Berthoud believes working party will be open to all sixteen countries, established in Paris, and begin work March. Eire only country replying through diplomatic channels re next steps CEEC anxious to join working party. Italy, Switzerland and Benelux agree working party should

(a) Suggest constitution and organization for continuing 16-power body although final form dependent on congressional ERP decisions. Benelux apparently regards UK as steadier anchor than France or Italy and supporting UK on headquarters location continuing organization in smaller country presumably Brussels and on establish-

¹ Not printed.

² British Cmd. 7344, *Economic Survey for 1948*.

ing organization as group of national representatives not complicated by strong international executive secretariat.

(b) Draft multilateral agreement reaffirming CEEC's undertakings for inclusion in bilateral agreements. Berthoud stressed, however, that ERP should be adopted first since European countries unable commit selves without knowing ERP's terms.

(c) Prepare for next meeting CEEC though no date yet discussed. Some pressure developing having meeting soon in order discuss next steps if ERP not approved by April 1. UK discouraging this pessimistic approach. Benelux questioned whether working party should be authorized to "follow and facilitate" European cooperation as interim body but decision reached to restrict working party to terms of reference indicated above.

4. Chairman and *rapporteurs* of CEEC technical committees calling working groups together study US ERP commodity reports ³ in order (a) "comment factually thereon" and (b) draw up conclusions for participating countries not for USA. All commodity working groups meeting February: food Hague February 24, iron and steel Geneva today, transport and timber Paris, fuel and power Geneva, finance London.

Re iron and steel Brussels reiterated non-existence cartel and apparently questioned US concluding statement iron and steel report regarding prior US detailed approval reestablishment such cartel. Re finance report Belgium indicated keen interest in US offshore European purchases in dollars.

5. Berthoud leaving for Copenhagen, Oslo and Stockholm February 10, return February 22.

Berthoud also mentioned following:

(1) Swiss worried lest reimposition US export controls implies wartime re-export requirements but interested in ERP program due commodity allocations thereunder.

(2) All countries visited indicated desire exchange comments on ERP conditions of bilateral aid believing US cannot object such co-operative consultation.

(3) Italy first, France second and Netherlands third in crisis timetable. Italy especially but France also much concerned lest conditions of ERP aid give ammunition to their Communist parties. Due exchange difficulties Dutch cut first quarter 1948 import quotas one-half. Italy, France and Netherlands now importing practically no raw materials for industrial program.

Copies by pouch to Paris, Rome, Brussels, Hague, Bern, Copenhagen, Stockholm and Oslo.

GALLMAN

³ The reports of various committees studying European Recovery Program problems are included in the Department of State Committee Files, Lot 122, the consolidated master collection of the records of committees of the Department of State for the years 1943-1952, prepared by the Records Service Center of the Department of State.

840.50 Recovery/2-2948 : Circular telegram

*The Secretary of State to Certain Diplomatic Offices in Europe*¹

RESTRICTED

WASHINGTON, February 29, 1948—1 a. m.

I. French advised Dept Feb. 28 of agreement with British to convene CEEC for Mar. 15 in Paris for short meeting to be attended by Bevin and Bidault.² Brit and French missions in other participating countries will urge that ForMins attend or at least member of Govt. Hoped meeting can complete agenda two days. If not, Bevin will leave and alternate carry on. Agenda to include (1) examination and approval of report of Secretary General of CEEC on European cooperation since first CEEC meeting; (2) exchange of views on reports of chairmen of technical committees in relation to U.S. commodity reports; (3) creation of and drafting terms of reference of working group of representatives of participating countries. Purpose of working group would be to (a) draft proposals for continuing organization including functions, structure, relations with other international organizations, etc. (b) draft multilateral agreements to be signed by participating countries which would contain pledges along lines para. 32 CEEC General Report and (c) preparation for next CEEC meeting.

Working group expected to require several weeks to complete task after which its report would be considered by a meeting of CEEC, probably sometime in April. French hope members of working group can be persons of sufficient standing to speak with some authority for their governments though not binding governments; also that they can be present March 15 CEEC meeting and start working at once.

II. Dept feels strongly that initiative and decision on the above matters up to CEEC countries. For your info Dept believes above procedure acceptable and has following general comments:

1. A strong preparatory group to draft charter of continuing organization seems most desirable. Thorough preparation on this and any other matters which might come before a plenary CEEC meeting im-

¹ Sent to diplomatic offices in all CEEC capitals and in the U.S. zone in Germany.

² Under Secretary Lovett also spoke to British Ambassador Inverchapel on February 28, and in a note written later that day, Inverchapel stated that: "a party of British and French officials have lately visited a number of European capitals to discuss with the participating Governments their views on economic progress to date and on the establishment of a working party, the main functions of which would be to draft the terms of a Multilateral Agreement and to discuss the functions of the Continuing Organization. The Governments concerned, with one exception which has not made its views known, were agreeable to these suggestions and it was therefore proposed to set up a working party early in March. After further consideration between London and Paris it has been thought desirable to call a short meeting of the C.E.E.C. . . ." (840.50 Recovery/2-2848)

Earlier in the month Chargé Gallman in London reported in telegram 598, February 17, 1948, not printed, that the British were holding back on a CEEC meeting temporarily, pending consultation with other nations, and that a French announcement concerning such a meeting had been "overhasty". (840.50 Recovery/2-1748)

portant so as to minimize public discussion and produce prompt tangible results.

2. If all CEEC countries are to be represented on working group, Dept believes reps of Bizone and French Zone should participate.

3. While Senate Committee bill does not require formal multilateral agreement, such an agreement is apparently contemplated by Europeans and Dept believes desirable. Dept believes reciprocal undertakings should be along lines of Para 32 CEEC General Report with possible modifications re production and modernization of plant plus other undertakings required by or considered desirable in light of US legislation and Congressional and public reaction. Specific production targets should not be written into agreement but provision made for fixing such targets and other definitive objectives from time to time as ancillary to agreement with continuing organization having duty to follow up.

4. Timetable of Congressional action makes it uncertain whether authorization bill will be passed by Apr 1. Therefore, if CEEC meeting after adjournment of working party held prior to about Apr 15 there would be serious risk that ERP authorizing legislation would not have been passed and any statutory requirements re multilateral agreement or organization would not be finally known.

Dept prepared to send fully briefed representative to consult with preparatory working group on friendly aid basis and to express US views including view that Europeans must take primary responsibility for working out continuing organization and multilateral pledges.

Dept's views on structure and functions of continuing organization will be sent later for your info.

MARSHALL

840.50 Recovery/2-2948 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, February 29, 1948—2 p. m.

695. For Ambassador. Following are Dept's present views structure and function continuing CEEC organization. Please comment.

1. Pressure of time and circumstances and necessity to avoid pipeline breaks make it impossible for continuing organization to play much role in relation to US supply program for quarter Apr-June 1948. This matter will have to be handled with participating countries individually. Organization should, however, be able to deal with program for period beginning July 1.

2. Continuing organization should be built on principle of a council of national reps of standing who would not need to meet frequently plus a strong and active secretariat under a leading figure. Secretariat should be financed by independent budget contributed by participating countries. US would not be member but special rep in Europe would keep close contact. Bizone Germany and French Zone, as participating

countries, would be members of organization. Powers of organization would be recommendatory in form. A principal responsibility would be to promote and encourage cooperative action and mutual aid aspects of ERP as well as to check on performance of mutual pledges.

3. Most of the operations of the organization would be carried out through the Secretariat which would (*a*) assure collection of information (including right to visit and inspect) and circulation of appropriate progress reports particularly under country production targets and other agreed action (such as financial reform); (*b*) calling together groups of technical experts when desirable to deal with specific matters along lines of technical committees of CEEC Paris Meeting; (*c*) suggesting meetings of two or more countries to handle matters affecting them but not of concern to all; (*d*) maintaining contact with ECE Secretariat; (*e*) preparing agenda and work of full CEEC meetings; (*f*) maintaining continuous contact with US special rep; (*g*) collecting and disseminating information about cooperative action and mutual aid among participating countries.

4. As soon as and to the extent practicable, continuing organization should assume responsibility for review and comment of participating country programs including their import programs. Although it may be necessary for US missions to discuss with individual countries on a continuing basis their needs from the US, we desire to keep bilateral negotiations to minimum and our objective would be to have import programs including imports from US reviewed by continuing organization and subject of recommendations by organization so as to assure that the fullest use is being made of resources and potentialities of participating countries and that requirements for US aid constitute assistance really needed and will go to destination where greatest recovery effect for benefit of all would be achieved. Such review could include recommendations as to cases when offshore procurement by US in participating countries would improve use of European resources. The bulk of this work should be done by Secretariat who could call on experts or committees of experts from participating countries for assistance. This work should not overlap effective work which may be done by existing organizations such as IEFC, ECE Coal and Transport Committee, etc.

5. While location of organization, chairman and personnel in secretariat are matters peculiarly for European decision and Dept would not wish to make suggestions, there appear to be considerations favoring Brussels or some city other than London and Paris as headquarters and Spaak¹ would seem eminently qualified for chairman. Highest calibre secretariat is essential.

¹ Paul-Henri Spaak, Belgian Prime Minister and Minister of Foreign Affairs.

6. Organization charter should provide for addition of new members (e.g. Trieste) and for withdrawal and exclusion. Since participating countries are apt to concentrate on their own individual problems, organization should concentrate on promoting cooperative action and creating closer relationships between members.

MARSHALL

840.50 Recovery/2-1248: Telegram

The Secretary of State to the Embassy in Greece

RESTRICTED

WASHINGTON, March 2, 1948—7 p. m.

Gama 326. Reference Amag 278.¹ In opinion of NAC not wise to force ERP countries to liquidate private foreign holdings as a condition of receiving aid. Program planned which will have effect of disclosing to foreign governments ownership of assets which still remain blocked after June 1, 1948 for whatever action they deem appropriate. Estimates of blocked assets of Greeks not available. No program contemplated for free assets. Text NAC statement to be air mailed.

MARSHALL

¹ Telegram Amag 278 from Athens, February 12, 1948, not printed, asked: "Request further details on newspaper stories concerning use of foreign assets in United States to meet balance of payments of ERP countries." (840.50 Recovery/2-1248).

840.50 Recovery/3-348: Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

SECRET US URGENT

LONDON, March 3, 1948—8 p. m.

853. For Lovett from Douglas. Bevin and Strang for the British, Massigli¹ for the French, agree that at the forthcoming meeting of the CEEC on March 15, subject to the approval of the participating countries, the bizonal area and the French zone of Germany, respectively, will not be invited to attend at the ministerial level, but to participate in the work of the sub-committee which will be established to make recommendations to a subsequent meeting of the CEEC as to: (a) multilateral agreements; and (b) to the type of continuing organization that may be established. (Deptel 718, March 2.)²

From all indications which come to us in meetings and informal exchange of views, we believe that participants are impressed with the urgency which present events demand. The complete French agree-

¹ Sir William Strang, British Joint Permanent Under-Secretary of State (German Section) and René Massigli, French Ambassador to the United Kingdom.

² Not printed.

ment at yesterday's meeting to the commencement immediately of the work of a group in Berlin to coordinate the policies between the two areas in western Germany, and their acquiescence to report agreement on all of the items necessary for coordination within thirty days, is evidence of French changes of attitude.

DOUGLAS

840.50 Recovery/3-448

Memorandum by Mr. William T. Phillips of the International Resources Division¹ to the Deputy to the Assistant Secretary of State for Economic Affairs (Nitze)

[WASHINGTON,] March 4, 1948.

We have been discussing among ourselves the matters which the CEEC should begin to grapple with. The present trend appears to be that at the forthcoming CEEC meeting organizational matters and reports on customs unions, clearing devices and the like will comprise the agenda. This is very disturbing. The March meeting will, in our opinion, set the pattern for the full term of the ERP. Unless the participating countries are pressed toward much greater cooperation than these things imply we are fearful that the continuing organization will never amount to more than a review and discussion group.

In our opinion the CEEC should begin and continue as an organization of the participating countries in which each country will have to justify its requirements, demonstrate its ability or lack of ability to meet mutually agreed upon production goals, and agree upon realistic import requirements screened in the light of availabilities. If these things are not done the whole program may degenerate into a series of bilateral deals between the U.S. and the individual countries and that lip-service will be paid to true economic cooperation by continuous discussions of customs unions and the like.

If the programming of requirements and production is considered as inappropriate or premature for the early part of the CEEC meeting, it could be carried on during the latter part of the meeting or perhaps simultaneously as a side issue. At any rate the representatives to the CEEC meeting should come prepared to undertake it.

To avoid the appearance of jumping the gun on Congress it should be desirable to consult with Senator Vandenberg to get his reaction

¹This memorandum was also prepared by William Bray of the International Resources Division and by Robert W. Tufts of the Division of Commercial Policy; these men were then also serving on the European Recovery Program Committee in the Office of the Under Secretary.

to beginning operations in a preliminary way at the CEEC meeting. (Perhaps also Taber and Bridges.)²

If the decision is to make the CEEC a real cooperative organization in the ways suggested above it is our opinion that you or Mr. Clayton or perhaps Mr. Bonesteel³ should attend the meeting, fully documented with all of our materials, so that a strong direction can be given to the CEEC before it has crystallized into undesirable channels.

² Congressman John Taber of New York, Chairman of the House Appropriations Committee, and Senator Styles Bridges of New Hampshire, Chairman of the Senate Appropriations Committee.

³ Lt. Col. Charles H. Bonesteel III, Special Assistant to the Under Secretary of State, and the coordinator of the Department's ERP activities.

840.50 Recovery/3-548: Telegram

*The Secretary of State to the Acting Political Adviser in Japan
(Sebald)*

SECRET

WASHINGTON, March 5, 1948—7 p. m.

80. For Sebald for Kennan¹ eyes only. Dept informed Douglas we agree to principle that bizonal area of Germany should participate in forthcoming CEEC discussions. We consider it undesirable, however, that bizonal admin be represented at Fonmin level in CEEC and feel it preferable that bizonal reps participate at subordinate level i.e. in discussions of working party. Douglas authorized to indicate to French that we are unprepared to undertake any commitment as to shipments to French zone under ERP unless and until we obtain clear idea as to French position on German policy, in particular coordination their zone with bizonal area. Douglas also informed that we will agree to association of Benelux reps in future meetings of kind now taking place in London.² Douglas plans to return to Washington this Sat and London discussions on Germany on ambassadorial level will accordingly be recessed then. In meantime working parties will continue in Berlin to examine pending questions and before adjourning reps in London will probably set date for future meeting.

MARSHALL

¹ George F. Kennan, Director of the Policy Planning Staff was in Japan, preparing a report for the Department. The report of March 25, 1948 is printed in vol. vi, pp. 691 ff.

² Reference here is to the London Conference on Germany, first part, Feb. 21-March 5. Documentation is presented in volume II.

840.50 Recovery/3-348 : Telegram

*The Secretary of State to the United States Political Adviser for
Germany (Murphy)*

SECRET US URGENT

WASHINGTON, March 6, 1948—2 p. m.

403. For Ambassador Murphy from Lovett. London's 853 Mar 3¹ reports agreement that plenary CEEC meeting Mar 15 will invite Bizone and French Zone to participate in subsequent preparatory working group. Dept believes Bizone should accept and be prepared to attend.

Purpose preparatory working group is to draft terms of reference of continuing organization and draft multilateral agreement. Bizone representation on this working party should represent and speak for Bizone as a whole and include necessary advisers from both elements who are competent in relevant fields such as trade (JEIA), finance, manpower, etc. Agreement on representation including advisers should be reached between US and UK military governors. Purpose and scope of ERP and CEEC are far beyond trade relationships. Economic cooperation sought under ERP, and of which CEEC is vehicle, has as ultimate objective closer integration of Western Europe. In this way it is a correlative of and parallel to the political and security arrangements sought under Bevin's proposals for Western Union.² Full cooperation of the Brit is necessary if larger objectives are to be achieved. While Bizonal representation would be advised by such special groups as JEIA on matters within their jurisdiction, US position and predominance in ERP matters seems fully protected by fact that ERP funds are within sole control US. Responsibility for furthering long-range objective of integrating Western Zones into Western Europe should be fully shared by Brit whose political position and influence in Europe essential. Hence seems undesirable to stress US dominance in financing Germany to extent which would diminish Brit responsibility and help in attaining ultimate objectives.

Dept sent Ambassador Douglas for comment its tentative views on the structure and functions continuing CEEC organization (695 Feb 29). Douglas commented in London's 855 March 3.¹ Revised Dept

¹ Not printed.

² For documentation regarding the United States interest in Western European Union and the formation of the North Atlantic Treaty Organization, see pp. 1 ff.

views will be sent USPolad promptly.³ Depcirtel (1:00 a. m. Feb 29) which was sent Berlin in Sect II, Para 3, states Depts general views re multilateral agreements.

Above documents provide guidance on US views on principal matters to be considered by working group. Any further views will be sent Berlin. Dept sending to Paris reps fully briefed on US purposes ERP, organization and multilateral pledges. Bizonal rep at Paris working group should consult with Dept reps. Sent Berlin; rptd London for info.

Army concurs this msg and is sending instructions to Clay.⁴ [Lovett.]

MARSHALL

³ These views were sent in a circular telegram on March 10, 1948, 7:00 a. m., not printed. This made no substantial modification of the United States position. (840.50 Recovery/3-1048)

⁴ Gen. Lucius Clay, Commander in Chief, U.S. Forces in Europe, Military Governor, U.S. Zone in Germany.

840.50 Recovery/3-848

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Under Secretary of State (Lovett)*

[WASHINGTON,] March 8, 1948.

It would be most undesirable to include in one omnibus bill (1) ERP, (2) economic aid for China, (3) funds to prevent disease and unrest in the Western zone of Trieste, (4) funds to prevent disease and unrest in the bizonal area of Germany, (5) military aid to Greece and Turkey and (6) a blanket authorization to the President to give military supplies to any country.

It is understood that the legislative situation is such that the presentation of such a bill might delay the enactment of the ERP legislation, since the Senate has no such bill before it and lengthy hearings might be necessary. Any substantial delay in the passage of ERP legislation would have the most serious effects in Europe, not only the economic situation in a number of countries but more especially on the political situation, particularly in Italy which is now the critical point in view of the all-out Communist drive to win the April 18 elections. A separate memorandum on the effects of delay in ERP has been prepared.¹

Secondly, the inclusion of ERP in a bill which also dealt with military aid, both to Greece and Turkey and in a general way to any country, would inevitably link ERP to potential military action against the Soviet Union or its agents. This would change the whole

¹ Not found in Department of State files.

emphasis of ERP from a program to promote positively European recovery to a program of defense against Soviet aggression. While economic recovery and the concomitant closer integration of Western Europe have, of course, the effect of strengthening the defenses against the Communist offensive, it is only because of the positive recovery emphasis that certain countries, notably Sweden and Switzerland have been participants. It is to be doubted that they would remain in the ERP if it were linked to a potential military program. In that case, we would have engineered a break in the front of non-Communist European cooperation.

The political value of the authorization to make military aid available is recognized and its existence would undoubtedly strengthen the resistance of non-Communist forces throughout Europe. As a separate measure it would constitute an independent US action which would strengthen our position and our foreign policy. It is the linking of this military provision with the economic recovery program in the same legislation that appears unwise as a matter of policy. Of course, there is the danger that if the military aid legislation were proposed and defeated in Congress, the effect would be to weaken our position more than if it had never been proposed. Accordingly, a careful evaluation of its prospects seems necessary.

There is some doubt as to whether a military aid authorization should be linked to any economic aid program, even those for Trieste and the occupied areas. Any serious delay in the Trieste appropriations or those for the occupied areas would have very dangerous consequences.

840.50 Recovery/3-1248 : Telegram

*The Chargé in the United Kingdom (Gallman) to the Secretary
of State*

SECRET

LONDON, March 12, 1948—11 a. m.

1012. Gore-Booth, head ERP Section, Foreign Office made following comments March 11 re British thinking continuing CEEC organization (Embassy's representative conveyed views outlined Depcirtel March 10) : ¹

1. British Government feels that most functionous organization should be performed by an Executive Committee composed of representatives of sixteen participants which would be in almost continuous session and which would be supplemented by commodity committees as required. Question CEEC organization has been discussed with all ministries concerned has been approved by Cabinet and it is expected that Bevin will make strong statement on subject at opening of CEEC meet-

¹ Not printed.

ing March 15. National representatives on the Executive Committee would be high-level officials of a standing equivalent to Hall-Patch, Under Secretary Foreign Office. British experience with combined boards and wartime allied organizations leads them to conclusion that this structure better designed for effective results.

2. Since national representatives will be high-level and in close touch at all times with their governments, "recommendations" of the organization will be readily transplanted into decisions of each participating government. While Gore-Booth agreed organizations powers would be limited to recommendations, he expressed view that its powers would be broader *de facto* as result organizational structure outlined above.

3. British believe, partly as result experience with Myrdal and ECE, that Secretariat should not be policy initiating or policy-making body. Even in statistical field, for example, British consider more can be accomplished through meetings and pooling of information by national representatives in subcommittees than by an international secretariat. This view reinforced by British combined board experience. Gore-Booth thought French now had better understanding British position on above points and that differences between British and French had narrowed.

4. British believe relations with US special representative should be conducted primarily by chairman of Executive Committee and not by Secretary General of organization.

5. British in agreement Department's thinking re voting and assume that on most issues formal votes will be unnecessary.

6. Gore-Booth considers it unwise to make Secretariat responsible for "evaluating and reporting on efficiency of use by participant countries of their resources including US aid". He felt this function could be better performed by Executive Committee.

7. With respect to location of organization, British have no strong feelings. No disposition to press for London and would accept Brussels although would also agree to Paris if French insistent.

8. Re commencement operation, Gore-Booth thought organization should be prepared make recommendations program beginning July 1 but thought US would have to proceed more or less independently with respect to program for April-June quarter.

9. British believe fullest possible use should be made ECE committees so long as obstructionist tactics are not used by some members.

10. British sending exceptionally strong delegation to Paris.

11. Gore-Booth expressed hope Department's representative CEEC meeting would "lean over backwards" to be available only for consultation since he thought decisions this meeting primarily for Europeans. Embassy representative assured him Department fully appreciated this consideration.

Sent Department 1012; repeated Rome 54, Paris 104, The Hague 31, Stockholm 30, Brussels 43.

GALLMAN

840.50 Recovery/3-1648: Telegram

The Minister in Switzerland (Vincent) to the Secretary of State

SECRET

BERN, March 16, 1948—11 a. m.

309. We do not feel that the Italian view on Switzerland reported in Rome's 978 to Department (repeated Bern as 17), March 6¹ is based on realities of situation.

Switzerland seems firmly committed to support ERP although it is quite probable that Swiss would make broad reservations if not withdrawn should ERP be expanded into political and military fields. Federal Councillor Petitpierre in speech reported my 240, March 2² was specific in saying, "We have no reason up to the present to regret cooperation with the CEEC", furthermore, his imminent visit to London (my 300, March 15²) is interpreted as evidence deep interest of Swiss in general problem.

As to their neutrality Swiss have little illusion it could be maintained in any future big power conflict and they clearly perceive that trend of events carries most serious implications for them. Bern correspondent of *Journal de Genève* seems to have expressed quite succinctly view of large body of Swiss: Emphasis on political neutrality does not deprive Swiss of their freedom of expression (this has been made clear in official and press reaction to events in Czechoslovakia) neutrality no guarantee because only country threatening Switzerland would not respect it but neutrality should nevertheless be retained because of possible future use.

The Swiss would deny strongly and correctly, we feel, that their attitude is comparable to former American isolationism. Within their neutrality they publicly recognize the far-reaching effect of events on themselves and are desirous of doing all within their means to influence favorably the course of events. They now interpret those means to be economic cooperation within the framework of ERP and moral condemnation of Soviet tactics while maintaining technical neutrality. I believe we can expect them to continue this attitude; if there is a change it is likely to be toward closer cooperation rather than in opposite direction.

Sent Department as 309, repeated Rome as 7.

VINCENT

¹In telegram 978 from Rome, not printed, Ambassador Dunn reported that to the Italian way of thinking, the Swiss attitude toward collaboration in the European Recovery Program was akin to the "most virulent kind of American 'isolationism' of other decades." (840.50 Recovery/3-648)

²Not printed.

S40.50 Recovery/3-1748: Circular telegram

*The Secretary of State to Certain Diplomatic Offices in Europe*¹

CONFIDENTIAL

WASHINGTON, March 17, 1948—5 p. m.

US URGENT

Dept has held initial discussions with representatives participating countries regarding preparations for ERP. Following is substance US remarks. Dept hopes enabling legislation will be passed early April. Senate bill provides RFC advance of one billion to get program underway. It cannot be expected that appropriations action will be taken until June and amount cannot be forecast. Though no commitment of any kind can be made now, it is important to discuss necessary preliminaries so action can be taken promptly if bill passes in substantially form of Senate bill. This bill would authorize Administrator to extend assistance in form of few essential commodities until June 30, 1948 if needed alleviate hunger and cold and prevent serious economic retrogression. Administrator can also extend assistance over whole recovery range for three months after passage act provided participating country signifies its adherence to purposes act and its intention to enter into bilateral agreement with US under para 15 b. Therefore desirable start discussions on this matter promptly.

Equally important begin discussions of possible program of assistance which could be gotten under way promptly if bill passes. Therefore Dept wishes discuss import programs of each country for period subsequent to April 1. While these in part already financed or will be financed from sources other than ERP, Dept recognizes that programs will be based in part on prospects for ERP assistance. Dept also recognizes that programs for months after July 1 will in part depend on assistance in first quarter since funds must be available for obligation considerably before shipments in many cases. Therefore assistance during April-June quarter will have to be applied in part to shipments after July 1.

In order to have some figure on which technical discussions of these programs can be based, and subject to understanding that no commitments possible until Congress has acted and that amount of aid available even in first quarter cannot be determined until Congress has acted on appropriations, Dept suggests that discussions be started on basis that there may be available from ERP funds for obligation during period April 1 through June 30 the following sums. Each country was given only its tentative allocation and these should be kept confidential: Austria 65 million dollars, Belgium-Luxembourg 20, Denmark 15, France 375, Greece 55, Iceland 1, Ireland 10, Italy 170,

¹ Sent to diplomatic offices in fourteen CEEC capitals and in the United States zone in Germany.

Netherlands 90, Norway 15, Sweden 10, Turkey 10, UK 375, Bizone 75, and French Zone and Saar 15.

It was pointed out that Senate bill forbids reimbursement for goods which have arrived in participating country at date of passage of Act and that as a general rule it is not contemplated that funds would be used to reimburse for goods for which financing has been arranged prior to passage of Act even though they have not been shipped. Procurement in sources outside US can be included in program. Requirements of dependent overseas territories can be included. No indication can be given as to whether assistance would be extended as a grant or loan, or partly each, nor terms of any loan. Programs should be consistent with international allocations for goods under allocation.

Actual programming will be done by ERP Administration when established. Purpose of present and following technical discussions simply preparatory. In subsequent periods and to extent practicable in the coming quarter US would expect CEEC to play major role in programming.

In closing, again stressed that no commitment possible at this time, that Administrator might find it necessary to divide funds differently, that amount mentioned is in no way an indication of what might be expected in subsequent periods.

Dept will communicate further with Missions on technical discussions and problems arising therein.

MARSHALL

840.50 Recovery/3-2048: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, March 20, 1948—noon.

1506. Rece 19. We submit the following preliminary appraisal of trends in the present CEEC meeting,¹ based on our daily contacts with a number of delegates:

¹ The structure of the CEEC conference, March 15–April 16, was rather complicated. The plenary body of foreign ministers actually met only three times: March 15, March 16, and April 16. Otherwise the decision-making power was exercised by a Committee of Alternates, under the chairmanship of Sir Oliver Franks. But even this group did not meet between March 18 and April 14. The actual work of the conference was done by a committee known as the Working Party co-chaired by the United Kingdom and France. There were also three drafting committees. Actually there was an over-lapping membership between the several working components.

A substantially complete record of the official documentation of the conference exists in Department files: 840.50 Recovery, in the form of delegation lists, orders of the day, agenda, minutes of meetings, working papers, and drafts. These were forwarded to the Department by the Paris Embassy in a series of despatches between March 17 and April 26: 395, March 17; 396, March 17; 410, March 19; 453, March 25; 459, March 26; 460, March 27; 483, April 5; 491, April 7; 504, April 8; 527, April 12; 528, April 12; 537, April 13; 546, April 14; 560, April 16; 566, April 19; 583, April 21; 599, April 22; and 620, April 26.

(1) There has been a growing recognition since last summer of the need for intensification of efforts towards economic integration of Western Europe and of the urgency of the problem. The most marked change is in attitude Scandinavian countries, with both Swedish and Danes showing cooperative attitude.

It is encouraging that such advocates of a comprehensive program as Hirschfeld² and Campilli, who were most critical of last summer's activities, now believe that things are moving in the right direction.

(2) Our original impression was that British did not in fact want a strong organization. This view was shared by some delegates of other countries. Among points mentioned in this connection were:

(a) Record last summer and in subsequent period during which British maintained cautious attitude re projects which are essential to effective economic unification.

(b) Weak character of British proposal for continuing organization (Embtel 1344, March 14).³

(c) Assignment of Sir Oliver Franks to Washington,⁴ which has been interpreted as meaning British Government places more reliance on its relationships that city than through CEEC which Franks could undoubtedly have headed on permanent basis.

Original British proposals also appear to have stemmed from their desire to create an organization which would not interfere with handling of major supply and other negotiations bilaterally with Washington, and British proposal that Secretariat do little more than take minutes was presumably desire to keep control of development of organization in own hands. Doubt whether British really believe on basis experience ECO and other organizations that strong organization with continuing responsibilities of semi-operational character can be achieved without stronger Secretariat than they proposed. There has apparently been some shift in the British position, and they have assured us that they do want strong and effective continuing body. British position in working party in coming week will enable us to evaluate situation more accurately.

(3) Selection of Paris as seat of organization is probable. Italy, Belgium, Luxembourg, The Netherlands and, of course, France appear committed to this selection. With Benelux support for Paris, most

² Hans M. Hirschfeld, The Netherlands Ministry of Economic Affairs.

³ Telegram 1344 from Paris, March 14, 1948, not printed, contained the text of a memorandum setting forth the British view of a continuing organization (840.50 Recovery/3-1448).

⁴ Sir Oliver Franks replaced Lord Inverchapel as the British Ambassador to the United States on June 3, 1948. Ambassador Franks had previously headed the CEEC mission which held the Washington Talks with U.S. officials about the technical aspects of the Paris report in October, 1947.

likely alternative site, Brussels, appears ruled out. Furthermore, many delegates believe site should be on continent and this concept works against selection London.

(4) Although original thinking of some delegates placed emphasis on relationship with ERP as major purpose of organization, new drafting gives more prominent position to aspect development European economic cooperation. Norway, Turkey and Switzerland have taken position multilateral agreement and organization should conform initial report provision regarding temporary character. Other countries hope this concept can be modified.

Delegates consulted appear to be thinking along lines similar to our position re relationships other international organizations; namely, to use where effective and to keep position flexible.

(5) It is in field of structure and functions of component parts of organization that widest variation of views appears. Turkey (possibly because heretofore it has not been represented on Executive Committee either individually or geographically) appears to want functions exercised in fact by assembly of all members. British attitude has been noted above, although they have recently indicated willingness to compromise. There is a noticeable trend in CEEC towards an organizational framework along following lines:

(a) Council of Ministers with alternates from all participating countries which would meet infrequently.

(b) Executive Committee of five or seven members which would meet frequently and act on matters of policy, as well as maintaining supervisory role over activities Secretary General. Members would be officials responsible for ERP matters in their own countries.

(A variation of this proposal is one made by Monnet⁵ providing members this committee would be Economic Ministers, such as Cripps, Mayer.⁶ Their alternates, however, would be of type mentioned above.)

(c) Secretariat General would be headed by person competent to supervise continuous operations. He would sit in Executive Committee meetings and be free to express his views. He would not, however, be permitted to "free wheel" in the Myrdal sense and would be subject to rather detailed directives coming from the frequent meetings of Executive Committee.

With reference to the foregoing, we suggest following modifications US position as set forth document ERP C73/1, March 8.⁷

1. That our position re location be that it is entirely matter for CEEC group to determine. We regard this as matter of secondary

⁵ Jean Monnet, Commissioner General of the French Reequipment and Modernization Plan.

⁶ Sir Stafford Cripps, British Chancellor of the Exchequer, and René Mayer, French Minister of Finance and Economic Affairs.

⁷ Not printed.

importance and at this stage our opposition to Paris would probably prove ineffective unless we were prepared to take a very strong stand, supported by considerations of compelling importance.

2. That we keep an open mind on question position and functions executive committee, concentrating efforts on suggestion that charter be flexible enough to permit Secretariat to develop so that CEEC will in fact be able to perform programming and other functions we have envisaged for it. (It is apparent that large majority of delegates are in no mood to permit framework giving Secretary General all of the authority contemplated by US or by French. In some cases thinking this question may be conditioned by nationalistic considerations. Nevertheless, there are many delegates who feel that the recovery program is so vital to all of them and of such complexity that continuing direction by group of national representatives is required, even though there is a strong Secretariat. If, as appears probable, the Executive Committee is composed of such people as Marjolin, Hammarskjold, Hirschfeld and Campilli, it could be a powerful force in developing a sound program and in persuading home governments to adopt it.)

3. For the purpose of emphasizing to working party need for adequate Secretariat with competent personnel, it is desirable to give that group as precise and detailed a statement of CEEC programming responsibilities as they relate to ERP as is possible at this time. We are sending a separate telegram on this point.

4. We are continuing to emphasize US position with delegates here. We suggest also that you may desire to call in British Ambassador reviewing with him our basic concept and emphasizing that we plan to place principal programming responsibility on CEEC, rather than on bilateral discussions with individual countries.

In view of fact that CEEC working party plans complete original drafts by March 26, we should receive Department's telegraphic comments on points 1, 2, 3 and 4 above not later than March 23.

Our basic conclusion is that CEEC responsibilities and activities will require both a strong Executive Committee and a strong Secretariat, and the two are not mutually exclusive.

CAFFERY

S40.50 Recovery/3-2048 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

CONFIDENTIAL

PARIS, March 20, 1948—3 p. m.

1512. Rece 21. This is in pursuance recommendation number three our Rece 19.¹ It is important that we be in position to inform delegates

¹ *Supra.*

in some detail concerning role we envisage for continuing organization in ERP programming. By emphasizing need for program integration and coordination by CEEC, we will increase recognition by delegates of need for establishment of suitable organization and may be able to correct current tendency to minimize importance secretariat. Although CEEC programs envisaged in paragraph 3 below obviously would have to be agreed by national representatives, consolidation of country programs as outlined could not be performed except by strong, well-qualified secretariat.

If we in fact expect some such programming as suggested below, we should make it clear to delegates so that they may be persuaded to raise sights and to plan for and start recruiting adequate and competent personnel. We believe the procedure suggested below in line with Washington thinking, but as this is an important issue and one which troubles some of the delegates, we should like your clearance.

We recommend that we be authorized to suggest to individual delegates probability that such programming will be necessary from US viewpoint and that some procedure such as that outlined below will probably have to be adopted. We should of course make it clear that no final determination as to procedure possible until act passed, administrator appointed. It would be extremely helpful to have your comments on following by March 23.

1. ECA (Economic Cooperation Administration) would look to CEEC for preparation of integrated import program for CEEC area as a whole together with screened programs for individual countries, rather than directly to the countries for individual country programs. CEEC would develop these programs on basis of the overall economic programs of each of the participating countries, including production programs and imports and exports from and to all areas.

2. CEEC would request each participating country to provide it with the country's proposed overall economic program for a given time period. Although details can not be determined now, data on production and investment goals and performance, and balance of payments by currency areas (including major commodity breakdown for exports and imports) would probably be minimum requirements. With respect to imports from Western Hemisphere, full details would be required for commodities on our positive list, plus such additional items as Commerce may decide to screen for Western Europe. Details of other categories might from time to time be necessary.

3. CEEC would review and coordinate country economic programs so as to insure consistency, equity and full use of European resources and to hold Western Hemisphere deficit to minimum. CEEC would then propose programs of imports from Western Hemisphere taking account of such information as US can provide regarding availability of funds and supplies. By this procedure, Western Hemisphere import programs would take into consideration CEEC recommendations

on multilateral clearing and offshore purchases within participating countries.

4. CEEC would transmit programs to Washington.

5. US special missions and the special representative and his technical staff would participate in this work at every stage as consultants. Thus, although final determination would at all times rest with ECA, it should usually be possible to accept CEEC recommended programs without major modification. To extent possible, adjustments should be negotiated with CEEC rather than bilaterally between ECA and individual countries.

CAFFERY

S40.50 Recovery/3-2248 : Telegram

The Secretary of State to the Embassy in France

SECRET

US URGENT

WASHINGTON, March 22, 1948—11 p. m.

NIACT

911. Cere 3. Following preliminary to comments on your four recommendations Rece 19 and Rece 21 :¹

1. We desire that CEEC countries be aware of importance which we attach to acting quickly and decisively in this critical time towards that closer integration and cohesion of Western Europe which events call for. Therefore although form of continuing organization is not in itself decisive, we would regret any set-up which was product of excessive caution or reluctance to accept full implications of mutual aid concept.

2. While programming and reporting progress are important, there are other functions relating to multilateral pledges on financial stability, reducing barriers to trade, effective use of labor and capacity whose significance in achieving real recovery may be considerably greater. The continuing organization will have to address itself to these problems which may be more difficult to handle than programming imports.

3. House Bill contains provision identical to Sec. 15(d) Senate Bill. While this does not require continuing organization itself to observe and review, it does constitute policy statement that an effective follow-up system be approved by it. This problem should be faced.

4. In preliminary talks with country reps. here it has been stressed that U.S. desires CEEC body to play major role in development all phases of ERP.

5. Re your recommendation 1, agreed. No intention here to force organization out of Paris. As Spaak suggests (Rece 10)² this would presumably eliminate French Chairman or Sec. Gen.

¹ Telegrams 1506 and 1512, March 20, 1948, from Paris. pp. 395 and 398.

² Not printed.

6. Re recommendation 2, potential value of Exec. Comm. recognized. Presumed it would give policy direction to secretariat between council meetings.

7. Re recommendation 3, your five points seem very large mouthful to bite off at once. The procedure there described in general is the objective we seek but it will obviously take some time to get operating. One addition, which qualifies last sentence of 5, is that in actual allocation and procurement operations adjustments in any program are always necessary and would have to be made here. Such adjustments should not be construed as in derogation of CEEC programming function. Subject to that addition you are authorized to suggest, subject to necessary caveats, that type of CEEC function.

8. Re recommendation 4, rather than call in Brit. here, suggested that in your discretion, you make known views in paras. 1, 2, 3, and 7 above and advise when you feel direct Govt. approach necessary.

MARSHALL

840.50 Recovery/3-2348 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, March 23, 1948—4 p. m.

1540. Rece 30. In summary, the first week of the CEEC meeting has been characterized by a rapid organization of the working party and by the adoption of a tight time schedule in an effort to have the drafting work completed when ERP legislation is enacted. While this activity is encouraging, there is little evidence that a majority of the delegations have instructions from their home governments which will permit them to come up with the type of continuing organization we have in mind.

The closest approach to the US concept has been the original French proposals which are also receiving support from the Italian delegation. The French accept necessity for executive committee as method of ensuring cooperation of national governments but do not feel it should be in permanent session. They have advocated a strong secretariat with clearly defined powers. They advocate specification of functions of organization in some detail and granting to organization of specific powers. French delegates appear to understand necessity for something new and dynamic, and indicate they believe both French public and other western European peoples are also expecting something both important and different in kind from previous organizations.

British approach, which has been reported in other telegrams, appears to us to lead to creation of weak organization with primary responsibility for programming the other principal decisions centered

in Washington. British have never stated this to be their objective but, on the contrary, state that only way to get strong organization in Europe is to have nations representatives of high rank assigned full time at seat of organization. They argue that their proposal for placing principal emphasis on role of national representatives insure governmental support. British also argue that given uncertainties as to form of act and wishes of administrator, there must be great flexibility, and that consequently statement of functions of organization should be limited to broad generalities. Although we recognize value of flexibility, we are concerned at vagueness of generalities and are not persuaded that British argument in favor of vagueness is genuine desire to create organization which can adjust itself to meet responsibilities placed upon it, but may be desire to create organization too weak to assume responsibility. As previously reported, British have not wanted much of a secretariat and have contended that delegation of any authority to a secretariat would involve encroachment of sovereignty. Although they have apparently indicated willingness to move somewhat from their original position, they have not as yet gotten around to specifying any real functions which secretariat might perform. Judging from their draft paper on structure of organization and procedures (Rece number 23),¹ emphasis is upon executive committee and they appear to expect that the organization would be in fact run by a full time chairman of the executive committee. Since as envisaged in British draft, chairman of executive committee would be a national representative, international flavor of organization might be prejudiced by giving him position of such predominance.

While attitude of many of the smaller countries remains undefined, there is a tendency for them to think along lines of the British approach. Their delegates are probably acting in this initial phase of the work under rather limited instructions from their home government and the British approach fits more easily into such a framework than would an approach requiring a bold and unprecedented experiment in international organization.

In view of the foregoing, Labouisse met yesterday evening with the executive committee of the working party (composed of British, French, Italian, Belgian, Scandinavian and Irish delegates). He expressed to the committee the view that the American people and Congress were expecting something of a dynamic and dramatic nature from the current discussions; that, while the form of organization and nature of multilateral undertakings were matters for the European countries themselves to determine, he was prepared, in response to the committee's invitation, to outline the type of strong CEEC organization which, in our opinion, was necessary to integrate and co-

¹Telegram 1518 from Paris, Rece 23, March 21, 1948, not printed, contained the list of draft proposals prepared by the British (840.50 Recovery/3-2148).

ordinate European programs with ERP assistance. Furthermore, provision should be made for a real check on performance under the multilateral undertakings and for a clearly defined relationship between the organization and the US special representative. He also outlined other basic points contained document ERPC 73/1 March 8.²

The executive committee informed Labouisse that they recognized the need for closer working relations in the drafting work and therefore suggested that we send observers to the three drafting committees³ and that Labouisse meet from time to time with the executive committee. We are conforming to this request beginning with committee meetings this morning and believe that it will prove helpful.

Our preliminary conclusion is that the original drafting work will be somewhat strengthened as a result of our conversation yesterday but that when the delegates return to their home countries this weekend, their draft agreement and charger [*charter?*] will fall somewhat short of meeting the US concept. By Thursday or Friday, we should be able to give you a more detailed appraisal of the situation. In view of the limited concept of the organization held by some of the smaller countries, notably Switzerland, it is difficult for us to see how agreement can be reached on an organization capable of unifying economic recovery efforts in Europe unless there is a change in the basic British policy on this question.

At the request of the executive committee, Labouisse is meeting with the entire working party Wednesday afternoon. He will take this opportunity to incorporate in his comments Department's views expressed in Cere 3.

CAFFERY

² Not printed.

³ These were: Committee I—Structure and Functions; Committee II—Administrative and Financial System; and Committee III—Multilateral Agreement.

840.50 Recovery/3-2548 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, March 25, 1948—9 p. m.

1611. From Labouisse for Department distribution only. Following comments as requested your 926, March 23,¹ are submitted regarding Berlin's 667 to Department:²

(1) We agree that Murphy would be logical person to serve on council³ on occasions when this body constituted by Foreign Ministers.

¹ In telegram 926 to Paris, not printed, the Department of State asked that comments on Berlin's 667 be submitted quickly (840.50 Recovery/3-2248).

² In telegram 667 from Berlin, March 22, 1948, not printed, the U.S. Political Adviser asked for the Department's views on Bizonal participation in the CEEC meeting at Paris (840.50 Recovery/3-2248).

³ The reference here is to the Council of the proposed Organization for European Economic Cooperation (OEEC).

It is not believed that meetings at this level would occur more than two or three times a year.

(2) Other general CEEC meetings of council will probably have representation at level of persons responsible for ERP program in their home countries. It would seem logical that bizone representative should be top economic man. We believe question whether there should be one or two representatives should be resolved by bizone itself but, in case only one person, he should be an American.

(3) In view of fact that CEEC organization will probably play major role European Recovery Program, we believe bizone should have continuous representation at seat of organization. Such official would maintain constant liaison with Secretariat and when top economic man unable be present, would attend the meetings of Executive Committee which will be in session a good deal of the time, particularly in initial period. Such representative should be an American acquainted both with German economy and the overall European Recovery Program. [Labouisse.]

CAFFERY

840.50 Recovery/3-2848 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, March 28, 1948—6 p. m.

1633. Rece 44. With return members CEEC working party to their respective countries for consultation, a stage has been reached where it is possible to appraise progress made, the developing pattern for the continuing organization and the major remaining obstacles to full cooperation in the economic field and to an integrated economic recovery program.

I—Those of us who during past week sat in on the drafting committees and exchanged views with the executive committee have been greatly impressed with the unity of purpose, the hard work, resourcefulness and teamwork of the delegates. Furthermore, recent political developments in Europe and the critical financial situation have emphasized the interdependence of CEEC countries and have created a sense of urgency among the delegates which was not apparent at last summer's Paris Conference.

Finally, the delegates are, with few exceptions, people who have come to prominence since the war, who occupy key economic posts at home, and who are cognizant of the need to create a new economic pattern in western Europe. If a real economic program is to develop in this area, it will have to come from leadership of their type.

II—In our judgment the draft charter and multilateral agreement create a satisfactory framework for the development of cooperative

efforts and the administration of ERP aid on a group basis. If there is nothing in the document, transmitted Rece 42,¹ which binds the participating countries to full cooperative action if they consider their national sovereignties dictate otherwise or by which the participating countries have committed themselves to an integrated economic program, there are, on the other hand, no provisions which make the attainment of these objectives impossible and, in fact, the way is opened for their attainment. As the Swedish delegate is reported to have stated to the working group in its closing session :

“We are not attempting to establish limits on the functions the organization might perform. We are trying to find points of departure from which its work may begin.”

III—Although the foregoing aspects of situation are encouraging, they do not serve to remove certain grave doubts in our minds concerning the probabilities for prompt and effective economic cooperation and integration in western Europe.

It was possible last summer to envisage a development under which these European peoples would gradually become accustomed to working together, with an evolutionary trend towards economic unification. Subsequent political developments and the growing demand in Congress and among the American people for quick results in this field lead to the conclusion that the CEEC cooperative effort must be one of accelerated tempo and must show tangible results by the end of this calendar year.

Unfortunately, there are reasons to believe that policies of several of the participating governments must undergo basic adjustments if this objective is to be achieved. There follows our analysis of the basic policy decisions which, in our judgment, should be taken in the next several weeks if real progress in cooperative action is to be accomplished.

A. *Organizational set-up of ERP.*

We have suggested to working group that CEEC organization should play a major role in programming requirements on a collective basis (see Rece 21 and Cere 3)² and they are keeping this in mind in planning their continuing organization. Nevertheless, some delegates have expressed to us privately their skepticism that things will not in practice work out along these lines. Reasons given :

1. Experience in lend-lease, post-war loan, et cetera, has established experience in carrying on negotiations on bilateral basis in Washington and tendency is to assume that this will be repeated.

¹ Not printed.

² Telegram 1512 from Paris, p. 398 and telegram 911 to Paris, p. 400.

2. Some countries are so convinced that Washington will be the focal point that they are contemplating concentrating key manpower there. Examples: Sir Oliver Franks appointment and Jean Monnet's trip.³

3. Existence of separate ECA missions in individual countries will accelerate bilateral trend, with these US representatives tending identify themselves with country's problems, rather than with overall European concept.

We feel that in order to counteract this tendency for negotiations with participating countries to gravitate to Washington even at this early stage, it is essential that our statements that heavy responsibility will be placed on CEEC organization be strengthened by more formal statement of policy in Washington by ECA as soon as possible. Such a statement might define responsibilities and functions as among (1) ECA, Washington, (2) special country missions and (3) US special representative to CEEC in such a way as to make clear heavy responsibility we expect CEEC to assume. We are of firm belief that unless major role in programming task is thrown upon continuing organization, that organization will fail to develop into the dynamic mechanism necessary to attract good men and to accomplish our objective of closer European integration and unification. If bilateral dealings are encouraged, the concept of a western European community will be seriously jeopardized.

B. Specific cooperative measures.

At present time, multilateral clearing, customs union study group and manpower group have only tenuous and ill-defined relationship with CEEC. We believe that, in interests of development comprehensive and interrelated program, all specialized phases of economic cooperation should be brought within CEEC framework, utilizing its secretariat and subject to policy Directives Council and Executive Committee.

Your telegraphic comments requested.

C. Importance of basic British trade and financial policy.

As we see it, British attitude will largely determine whether or not European economic integration will go beyond modest level of coordinated import programming and limited cooperative measures. Key CEEC countries, such as France and Italy, are moving towards a more liberal economy and de-control. Therefore, it seems increasingly important that efforts toward economic unification through progressive removal of trade and financial barriers among the group should be pressed, along with the coordination of investment programming. This

³ For documentation on Mr. Monnet's activities, see "Concern of the United States with political and economic developments relating to France", pp. 592 ff.

will, of course, involve important adjustments in economic policies being followed by participating countries. Although we are not in position to judge what developments have occurred or will occur in normal course in British attitude, on the basis of past performance and in light of rather timid and unimaginative approach evidenced during early days of present conference, it seems to us probable that some basic change will have to be pressed upon British. Some of their neighboring countries have pointed out that the free-trade area provisions growing out of the Havana Conference offer a device for the UK to enter fully into European economic cooperation and still to maintain their empire trade relationships, but their attitude at the present meeting toward the customs union article indicates that they still have not made basic decisions on this point. In the absence of British participation and leadership, it is unlikely that enough other European countries can be brought together to create a unit of efficient economic dimensions.

We suggest that this problem be exhaustively explored at the earliest possible moment. If it is decided that economic unification is not a requisite, it may be desirable to inform Congressional leaders at an early date that actual progress in European economic cooperation will prove to be very modest. If, on the contrary, it is decided that unification is a "must", the first step to be taken would be US-UK discussions at a high level. From a purely economic standpoint, the need for an early decision on this question is clear. If it is known that at some future date there will be a large single economic unit in Europe, investment under the European Recovery Program will be based on that assumption re market and competition and will follow an entirely different pattern than under current conditions where the area is divided into 18 economic units.

D. The position of western Germany.

A number of delegates have emphasized the importance of western Germany in the recovery scheme. We concur in this view and are therefore concerned about possible position of bizone representatives to effect that it might be inadvisable for bizone to be represented on Executive Committee because this would involve the bizone more deeply in the CEEC program than they wished to go at this moment; that at the moment the other CEEC countries want more from western Germany than Germany wants from its European neighbors; and that recovery has been slower in western Germany than elsewhere in Europe. (We are not urging and have not urged that bizone be on Executive Committee, but mention this by way of example.)

We believe, however, for both psychological and economic reasons,

that western Germany should participate in this program in the same manner and in the same spirit as other members of the CEEC group.

If this assumption is correct, a fuller exploration of this subject between Washington and the occupation authorities might serve a useful purpose.

One immediate step which the bizonie could take would be full participation in the customs union study group. Furthermore, it is believed that the bizonie authorities will come to view an integrated program more sympathetically as it becomes clear that this will increase intra-European trade.

Sent Department 1633, repeated London 220.

CAFFERY

Editorial Note

The Economic Cooperation Act of 1948, Title I of the Foreign Assistance Act of 1948, became law on April 3, 1948, 62 Stat. 137. The Act noted that the provision of assistance resulted "from the multilateral pledges of participating countries to use all their efforts to accomplish a joint recovery program based on self-help and mutual cooperation as embodied" in the Paris Report. In addition the Act stipulated that each country should conclude a bilateral agreement with the United States to be eligible to receive assistance. Nevertheless, the Act provided that the Administrator might for three months perform "any of the functions authorized under this title which he may determine to be essential in furtherance of the purposes of this title", that is to authorize the flow of aid, if the recipient country had signified its adherence to the purposes of the legislation and had indicated that it was its intention to conclude such an agreement.

For statements by President Truman and the Secretary of State on April 3, on the occasion of the President's approval of the Foreign Assistance Act, see Department of State *Bulletin*, April 11, 1948, page 468.

For exchanges of notes between the United States Government and eleven nations which became members of the Organization for European Cooperation on April 16, by which the concerned governments signified their adherence to the purposes and policies of the European Cooperation Act and their intention to conclude bilateral agreements with the United States pursuant to section 115(b) of the Act, see *ibid.*, May 16, 1948, pages 640 ff. (Through an apparent oversight Belgium was not included in this compendium; notes exchanged in this instance were in the same form as those exchanged with The Netherlands.) The exchanges were effected as follows (all at Washington, D.C.): Austria

(April 15), Denmark (April 20), Netherlands (April 20), Italy (April 21), Norway (April 22), France (April 24), Iceland (April 28), Ireland (April 28), Belgium (April 30), United Kingdom (April 30), Luxembourg (May 3), and Sweden (May 4). Exchanges were completed with Greece at Athens (May 12), *ibid.*, May 30, 1948, pages 708-709; with Germany (the United States-United Kingdom Bipartite Board) at Frankfurt (May 14), *ibid.*, May 30, 1948, pages 709-711; with Turkey at Washington (May 18), *ibid.*, June 13, 1948, page 779; and with Germany (French Zone) at Paris (June 3), *ibid.*, June 27, 1948, pages 838 and 839.

840.50 Recovery/4-648: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, April 6, 1948—4 p. m.

1792. Rece 52. Alphanth opened meeting last night called to discuss certain questions concerning Germany's relationship to continuing organization, etc., (see paragraph 8, Rece 50)¹ saying he had four points to bring up:

1. Method by which zones would adhere to final document.
2. Conditions concerning zonal adherence to be recorded at time of signing.
3. Presence of Germans at plenary session.
4. Proposed MFN provision.

Regarding point 1, Alphanth said possibilities were either (a) for military governors to sign principal document along with other signatories or (b) for sixteen nations to sign principal document and to invite zones to adhere by signing separate protocol. For technical and French psychological reasons, French favored (b). US and British bizone representatives argued for (a), advancing psychological reasons from standpoint Germany. Alphanth eventually agreed that technical argument unimportant and only real factor was psychological. Alphanth suggested reserving decision this point pending discussion second point.

Regarding point 2, Alphanth stated that French considered it desirable to include some statement in document indicating that adherence by zonal authorities was subject to certain limitations. He mentioned fact that adherence must be subject to provisions eventual peace treaty, to necessary security measures and to level of industry limitations. After considerable argument, British suggested possi-

¹ Telegram 1765 to Paris, April 5, 1948, not printed.

bility military governors making some statement for record at time of signing to meet French qualms. This seemed possible acceptable compromise to all present, but Alphand said he must consult Bidault and the bizone representatives also reserved right to consult military governors. Actual language of proposed statement would presumably be worked out in next day or two if this procedure acceptable to US, UK and French authorities. In such event, presumably military governors would sign principal document at same level with representatives of other participating countries. (Wilkinson talked to General Clay by telephone today and he reports Clay does not feel any statement either written or verbal regarding limitations on German adherence are justified and is not willing accept such compromise on grounds it would unnecessarily hamper evolution of Germany as full and responsible members of CEEC as agreed at London. This may raise serious problem with French and, in absence our ability bring them around, question must be resolved between Washington and General Clay. Please telegraph your views urgently.)

Regarding point 3, Alphand reiterated French position against having any Germans present at signing (see Embtel 1770, April 5). Bizone representatives presented their case and British Foreign Office representative stated that he had just received word that British Government would approve having one German attend with Robertson. It was agreed that resolution of this matter could not be accomplished at meeting, but must await results French high level approach to Washington and London.

Regarding point 4, both British and French representatives expressed opposition to inclusion of MFN provision in multilateral agreement. US representative suggested matter could be more appropriately discussed at smaller meeting of experts. This agreed and meeting will be held today.

Sent Department as 1792, repeated London as 243 and to Berlin for Murphy as 141.

CAFFERY

London Embassy Files : Telegram : Lot 59 A 543 Box 1388 :
File 850 Marshall Plan

The Acting Secretary of State to the Ambassador in the United Kingdom (Douglas)

SECRET

WASHINGTON, April 6, 1948—noon.

1181. Following is text of *aide-mémoire* given Secretary April 1 by Brit Ambassador Bogota.¹

¹ Secretary Marshall was in Bogotá, heading the United States Delegation to the InterAmerican Conference for the Maintenance of Peace and Security, March 30–May 2, 1948. For documentation on this matter, see vol. ix, pp. 1 ff.

“Humelsine from Carter. The Brit Ambassador called to see the Secretary today and left with me the following *aide-mémoire*:

Mr. Bevin wishes Mr. Secstate to be acquainted privately that the fact that the House of Representatives have reaffirmed the decision to include Spain in the scope of the ‘Marshall Plan’ has caused serious difficulties in England whilst in Italy it has come as a terrible shock. The State Department will appreciate all the steps that have been taken in connection with Italy. Yesterday Mr. Bevin had personal messages from Signor Lombardo to the effect that all the good that had been accomplished has been undone and asking Mr. Bevin to make a statement to retrieve the position.

Mr. Bevin has seen the American Ambassador in London and does not propose to make a statement. He wishes Mr. Marshall to know that it is a most regrettable thing from the point of view of His Majesty’s Government that we cannot bring Spain into this business under any conditions while the Franco Regime lasts as it would cause a complete revolt in the Labor Party as well as amongst many Conservatives who have bitter memories. It seems to make the whole Marshall Plan appear as a lineup behind Fascism and Reaction and is causing great anxiety among our best friends. The Scandinavian and Benelux Trade Unions hold still more strong views on this business.

Mr. Bevin sincerely hopes that steps will be taken by both the Senate and House of Representatives to remedy this at the earliest moment. If it is left until too late before Italian elections it may well be that this one act will have lost the whole position.

Mr. Bevin adds that he hates to disturb Mr. Secretary of State Marshall with a great conference on but he thinks that he should know the European reactions, although Mr. Bevin gathers from the press that he is already conscious of them.

He said that Inverchapel had received duplicate instructions to present the matter to Mr. Lovett.

Please give me basis for reply that Secretary can make to local Ambassador here for transmittal by him to Mr. Bevin.”

LOVETT

840.50 Recovery/4-648: Telegram

The Acting Secretary of State to the Embassy in Spain

SECRET

WASHINGTON, April 6, 1948—noon.

207. Following reply was made by Secretary to Brit Amb Bogota in response to *Aide-Mémoire* text being repeated separately:¹

“I would appreciate your sending following message to Mr. Bevin in reply to message which you were good enough to convey to me in your *aide-mémoire* Apr 1.

I have fullest understanding for concern expressed by Mr. Bevin

¹ The text is printed in telegram 1181 to London, *supra*.

at proposal for immediate inclusion of Spain in ERP, which appeared to be effect of amendment passed by House of Representatives Washington on Mar 30.

Mr. Bevin will no doubt have seen statement made in Washington by President's Press Secretary on April 1 to effect that President was opposed to inclusion of this amendment.² Amendment has now been deleted and view of US Govt remains that initiative on inclusion of Spain remains with Governments represented at original conference of CEEC in Paris".

LOVETT

² The Department of State Wireless Bulletin, April 1, 1948, reported that President Truman was absolutely opposed to making Spain eligible to receive ERP aid, and that he authorized his press secretary to say that "he hoped the Senate-House conferees would strike out the mention of Spain in the final legislation."

S40.50 Recovery/4-648 : Telegram

The Acting Secretary of State to the Embassy in the United Kingdom

SECRET

US URGENT

WASHINGTON, April 6, 1948—7 p. m.

1197. For Amb from Lovett.

1. I am sending you a separate message¹ outlining our general views on the role of the continuing CEEC organization. Among other things it stresses the importance which we attach to having highest caliber men on the Executive Committee.

2. I have been disturbed by indications received from several sources that some countries, particularly the British, are thinking in terms of having officials of relatively low standing on the Executive Committee. I believe it to be of great importance to the success of ERP and the whole development of CEEC that, at least in the initial stages, the responsible representatives on the Executive Committee be the principal economic ministers of the respective countries, including Cripps. Only in this way, I believe, will they feel the necessary personal responsibility for making ERP work. I recognize that men such as Cripps cannot personally attend all the Executive Committee meetings and will have to have a deputy, who should be the official charged in the government with major responsibility for ERP.

3. If you agree and in view of the urgency of this matter, please take this up with Attlee at your earliest convenience and seek his agreement to this proposal so that he will instruct the British representative in Paris accordingly.

Sent London, rptd Paris.

LOVETT

¹ Telegram 1224 to London, April 8, 1948, same as telegram 1146 to Paris, p. 414.

840.50 Recovery/4-748 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

CONFIDENTIAL

US URGENT

PARIS, April 7, 1948—2 p. m.

1813. Rece 53. We met Tuesday morning with Lintott and Baraduc of UK and French delegations on question inclusion of MFN provision and "non-discriminatory" phrase in CEEC document (see Cere 6, Rece 47 and last paragraph Rece 52).¹ We explained Washington position, emphasizing importance attached to some such provision. We made it clear, however, that we were not insisting on adoption these provisions but felt it desirable from all points of view that importance attached to these provisions by Washington be understood.

Lintott and Baraduc went into history of MFN for Germany discussions, saying that it had been expected that question would be raised at GATT meeting at end Habana conference, but that matter had been postponed to July GATT meeting. Lintott said British had, therefore, been surprised to learn recently from Jackson in Washington that United States view was that this question should be covered in connection with ERP.

Neither British nor French consider it desirable or appropriate to include MFN paragraph in CEEC document. They say it would be most inadvisable to attempt and probably impossible to obtain agreement of participating countries on point which is essentially GATT problem.

Both Lintott and Baraduc, particularly the latter, take the position that participation of Germans as full partner in CEEC, including possible multilateral payment system, will result in greatest possible expansion of German trade with participating countries and that such participation makes MFN commitment unnecessary. Baraduc was concerned that MFN clause might create difficulties for Europeans to purchase dollar goods in Germany inasmuch as ITO charter would require purchase of same goods on basis non-discriminatory quota in United States.

On question of adding phrase "on non-discriminatory basis" to Article 6, British and French argued this unnecessary since it was covered by addition of phrase "in accordance with principles of ITO charter" which they were prepared to accept. They are also prepared to include in general obligations some reference to "tariffs" along lines paragraph 32 Paris report.

Lintott and Baraduc stated their position substantially as outlined above in meeting of committee three yesterday afternoon.

We believe it would be extremely difficult, if not impossible, to have

¹ None printed.

the sixteen nations agree to words spelling out MFN for Germany. The same applies almost equally to inclusion non-discriminatory phrase. We will, therefore, not attempt to force these points further. We understand this accords with discretion implied in Cere 6.

Sent Department as 1813; repeated London as 249, Berlin 147.

CAFFERY

840.50 Recovery/4-848: Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, April 8, 1948—5 p. m.

1146. Cere 10. From Lovett. Following your Rece 44¹ and other developments there has been considerable discussion of relationship of CEEC organization to larger objectives ERP. Following general principles have emerged and have been discussed with Administrator² and his close advisers who agree in principle particularly re paras 4 and 5 below. They approve sending message along following lines.

1. ERP is one aspect of larger objective of strengthening Western Eur community. Our support of Brussels Pact³ is another. Western Eur community cannot realize its potential strength in political, economic or military spheres without much closer cohesion and integration than has existed in past. In economic field this integration calls for progressive reduction of impediments to free flow of goods and persons within community, tending toward eventual elimination of all internal trade barriers within community, as stated in policy declarations ECA Act, and for restoration of financial stability with objective of achieving full convertibility of currencies and such stable economic conditions that financial difficulties will not impede movement of goods and persons.

2. Present political, economic and military situation offers opportunity for achieving above objectives which may not occur again. Passage of ECA Act provides potent lever for furthering attainment of these objectives and CEEC organization provides focal point around which closer Western Eur economic cohesion can be built.

3. Full potentialities of CEEC organization can be realized only if it (a) is in fact given important functions to perform; (b) has effective organizational structure; and (c) has first-class personnel. These three factors are interrelated. (a) While many functions which could be assigned to it depend on action by participating countries, role which the US assigns to organization will be very influential if not

¹ Telegram 1633 from Paris, March 28, 1948, p. 404.

² Paul Hoffman.

³ For documentation concerning the United States interest in the Brussels Pact and Western European Union, see pp. 1 ff.

decisive in determining its development. (b) Effective organization cannot be determined in vacuum but only in relationship to functions to be performed. (c) Only if there are important functions and adequate organizational structure will it be possible to ensure that high-caliber personnel is available.

4. While basic responsibility and decision re US ERP aid must rest with Administrator in Wash, it is believed he should rely as much as possible on his reps abroad. If we do not assign to US staff overseas and to organization significant role in connection with US ERP aid and if US should concentrate too many operations of US component of Recovery Program in Wash, it is most unlikely that Eur countries will in fact assign any important functions to organization and highly doubtful whether high-caliber personnel would work with it. The concentration in Wash of the most important work in relationship to application of US aid would virtually ensure that participating countries would establish strong missions here to press their individual claims under eighteen competing supply programs, that concept of joint program would be lost in process and larger objective of furthering maximum Eur initiative, mutual aid, cooperation and higher degree of integration in Eur would be defeated.

5. Accordingly objectives US policy indicate that large proportion of the functions of making recommendations about programs and evaluating them in terms of economic revival of Western Eur should be performed by Eur countries and US staff in Europe. Would be most unfortunate to allow competitive lobbies for the Eur countries to grow up in Wash.

6. All programs for US aid have, of course, to be decided and approved by Administrator in Wash. Preliminary framing of country programs of recovery and coordinating them into joint program, as contemplated in Act, to be recommended to Administrator should take place abroad. Fact that first quarter program (Apr-June) is necessarily being almost entirely drawn up in Wash should not be construed as a precedent. An attempt should be made to perform more functions with respect to second quarter (July-Sept) in Eur with an ever increasing shift of functions to field. It is not believed that CEEC organization itself should actually try in the first instance to prepare and recommend programs for participating countries. Its aim should rather be to develop procedure and practice by which organization brings together programs developed in first instance in and by participating countries, in consultation with ECA missions, endeavors to iron out inconsistencies, relates requirements to availabilities, points out potential spheres of mutual aid, suggests cases in which off-shore procurement by US in a participating country can further greater interchange of goods between participating countries and makes recom-

mendations with respect to programs to countries and to Administrator which are designed to achieve the purposes of CEEC agreement and Act and to integrate proposed actions of various participating countries. Such recommendations would relate not only to US aid components of programs but to other aspects. This action would, as stated, start with country programs developed in various countries in consultation with ECA missions stationed there. Coordinating job or organization would be done in consultation with US Special Rep and his staff. Resultant programs and recommendations would, therefore, from point of view of Administrator, have been developed at all stages in full consultation with his reps. It would be important for ECA missions to keep in mind always concept of joint programming and operate with and through Special Rep whenever possible and avoid becoming competing claimants before Administrator.

7. Most difficult problem relates to division of ERP funds between various countries. It is not believed possible or desirable at the outset to ask organization to recommend to Administrator on division of US funds. There are many difficulties for participating countries and many US interests which Administrator will have to take into account. Nevertheless if it becomes possible to decrease or overcome these difficulties as European recovery develops, maximum recommendatory role even in this area should be given organization in order further to strengthen its position. Following procedure appears to avoid these difficulties in early stages:

(a) First quarter program has, of necessity, been drawn up in Washington (see 6 above).

(b) Countries should prepare specific obligations programs for second quarter ERP year (July–Sept) which would be submitted organization for comment though it may not be able to contribute much due to short time available. Practice of submitting quarterly programs to organization should be established as soon as possible however.

(c) Third quarter (Oct–Dec) programs should be given continuing organization for general review and recommendations as envisaged in 6 above. This quarterly program might well be reviewable against first ERP year shipments program (see (d) below).

(d) Participating countries prepare soonest shipments programs for first ERP year (Apr 1948–Apr 1949) which would be submitted to organization for recommendations as described para 6 above. US ECA missions and Spec Rep will be set up as soon as possible. As general basis for division US funds both countries and organization would use figures being submitted to Congress in justifying first year's appropriation. This justification is not in terms of shipments but in terms of obligation of funds. Therefore a shipments program for same period could and presumably would vary somewhat from appropriations figures while following general pattern. This would provide flexibility for CEEC recommendations.

(e) As soon as possible organization should start machinery going for achieving a preliminary shipments program for year Apr 1949–

Apr 1950 (or perhaps for 15 months Apr 1949–June 1950 so as to make ERP year conform to US fiscal). This should be done not in terms of any predetermined amount of US aid or division of appropriations but in terms of what will be needed for recovery and in consultation with US ECA missions and Spec Rep. Such program could serve, as did first CEEC Report, as a preliminary program useful to US Exec in seeking second year's appropriations. A more definitive program for that year would have to be worked out by countries and with organization in light of Congressional appropriations action in spring of 1949.

8. Organizational set-up proposed in draft CEEC agreement appears to provide an adequate basis for carrying through necessary functions if manned with good personnel. There appears to be no structural impediment to its developing into strong and effective organization.

9. Assigning of high-caliber personnel both to secretariat and to Council and its committee is of major importance. Presumably Council will meet rarely and it seems desirable to keep representation, at least nominally, on ForMin level. Thus if ForMins themselves could not attend, they would send high-level alternates. Exec Comm is of particular importance and should consist of first-rate men. It is our view that Exec Comm should consist of principal economic ministers of countries concerned, and that in those cases where it is really impossible for them to attend meetings of Exec Comm they should be represented by the men who, at official level, are responsible for ERP matters within their respective governments.

10. Difficulties of Brit in reconciling their positions as Eur country and as center of Commonwealth are recognized and seem inescapable. The special position they held in relation to Combined Boards allowed them great freedom of action and flexibility. Other Eur countries during much of that period were occupied by Germans or allied troops and not in same relative position as now. The special wartime position for Brit now would be inconsistent with concept of Western Eur integration and other objectives of ERP. It is believed that above proposals constitute framework within which Brit could support CEEC in reality and yet retain freedom of action for their non-Eur interests.

11. Above proposals also seem to allow necessary protection against discrimination against Western Ger and against prejudice to US position there.⁴

Sent Paris, rptd London for Amb Douglas.

LOVETT

⁴This instruction drafted by Mr. Jackson of EUR; approved in draft by Messrs. Hickerson and Jackson for EUR, Henderson and Robertson for NEA, Wood for E, and Nitze and Stillwell for ERPC; was discussed in draft by Messrs. Nitze and Bonesteel with ECA Administrator Hoffman.

840.50 Recovery/4-648 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, April 10, 1948—3 p. m.

1181. Re matter presence of Germans at signing of CEEC agreement and possible statement at time of signing (Paris' 1765, 1770¹ and 1792 to Dept, all rptd London and Berlin; and London's 1419² to Dept, rptd Paris and Berlin) :

1. After full consideration all circumstances including *aide-mémoire* delivered by French Apr 7³ Dept believes desirable to attempt to resolve these problems on basis that CEEC agreement will be signed on behalf of Western Zones of Germany by Military Governors or their duly authorized reps; no Germans will accompany them to the plenary session of CEEC at which signatures will be affixed and no statement of limitation with respect to the Zones will be contained either in the agreement or made orally at the time of signing. Dept of course fully supports attendance, which is understood to be generally agreed, of Germans at working meetings as part of Bizonal representation. French represent (a) last German at Quai d'Orsay was Ribbentrop⁴ (b) they are advised demonstrations planned not only by communists but socialists and perhaps others if Germans attend plenary. Any such demonstrations would have most unfortunate effect on launching of CEEC agreement and might well have bad effects in Germany. Consideration of this matter has included careful weighing of possible bad effect in Germany since it is understood that Germans are hoping to attend plenary session but on balance present decision appears necessary.

2. Since signature will be by and on behalf of Military Governors, their signatures will necessarily be subject to the conditions attaching to their position, i.e., subject to eventual terms of any peace treaty, any international agreements relation to the occupation such as the bizonal fusion agreement. It, therefore, appears unnecessary to make any reservation or statement.

3. Appropriate provision should be made, presumably in the agreement, so that if there is a fusion of the French Zone with the Bizonal Area, there would be a single membership for the three zones.

¹ Neither printed.

² In telegram 1419 from London, April 7, 1948, not printed, Ambassador Douglas reported that "after giving careful consideration to the French objections, Bevin is persuaded that he should agree with the French and that only the appropriate representatives of the military government should authenticate the documents on behalf of Germany" (840.50 Recovery/4-748).

³ In the *aide-mémoire*, not printed, the French urged acceptance of their compromise proposal regarding the signing of the CEEC agreement. (840.50 Recovery/4-748)

⁴ German Foreign Minister during the Hitler era.

Embassies London and Paris requested to attempt to obtain Brit and French agreement to this compromise. Sent Paris, rptd Berlin and London. Army is communicating this decision to Clay.

LOVETT

840.50 Recovery/4-1248 : Telegram

The Acting Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, April 12, 1948—7 p. m.

1283. For Douglas from Saltzman. Re Depts 1181 to Paris, rptd London as 1270 and Berlin as 634, and your 1490¹ to Dept: Brit Emb reps called afternoon Apr 10 to discuss presence of Germans at CEEC plenary and making of statement by Robertson at time of signing. Brit supported French desire for statement that signature was subject to international agreements re Germany. Brit were advised that after thorough consideration and with serious misgivings as to effect within Germany US Govt had agreed no Germans should attend plenary. Brit were asked to seek urgently their Govts agreement if possible to having statement made at time of signing that Germans would participate in future functioning of CEEC organization. This might be done in connection with a statement referring to Appendix B CEEC Paris Report² in which necessary interdependence of Western Germany and Western Europe was stressed.

Re making statement that Military Governors' signatures were subject to international obligations re Germany, Dept pointed out that all signatories signed subject to existing valid international obligations, that signatures of Military Governors necessarily implied the conditions inherent in their status and that only apparent purpose of stating limitations on signature was to make zones appear as some sort of second-class member and that US could not agree to any such statement. In general discussion Dept reps emphasized that existing critical political and economic situation required that all practicable efforts be made to tie Western Germans into this cooperative effort of Western European community, that while the natural antipathy towards Germans arising out of past wars was understood present situation was so critical particularly in Germany that it should be treated as of over-riding importance, that although unfavorable Communist reactions and demonstrations could be expected in CEEC coun-

¹ Not printed.

² The report was published as *Committee of European Economic Cooperation*, vol. I, *General Report*, and vol. II, *Technical Reports, July-September 1947*, Department of State publications 2930, 2952, (Washington, Government Printing Office, 1947).

tries in apparent protest against inclusion of Germans on any basis of apparent equality, the capital which Communists would make in Germany out of overt snubs to Germans presented in Depts opinion greater long-run danger. Same considerations expressed to Berard French Emb Apr 12.

Sent London, repeated to Paris and to Berlin. [Saltzman.]

LOVETT

840.50 Recovery/4-1348 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

CONFIDENTIAL

PARIS, April 13, 1948.

1944. Rece 59. 1. Berthoud and Marjolin¹ have raised with us question of desirability CEEC maintaining representative in Washington. Our preliminary view is that it is probably undesirable, at least until it is clearly established that the normal contact between organization and United States Government is through the special representative. Otherwise effectiveness of latter may be seriously prejudiced, and tendency of countries to concentrate top personnel in Washington rather than at headquarters of organization encouraged.

2. In this connection, we should appreciate as detailed information as possible on current views as to (a) relationship between ECA country missions and special representative, (b) approximate date special representative is expected to take up his functions, and (c) arrangements to be made in interim. With respect to the first point, we feel, as indicated in previous telegrams, that emphasis United States puts on the multilateral rather than the bilateral approach will to large extent determine the success of the new organization. This may imply a re-examination of the role and composition of the ECA country missions and perhaps further concentration of authority and responsibility for ERP in Europe in the staff of the special representative rather than in the ECA country missions.

3. On points (b) and (c), we feel it important that the United States interest in the organization should not appear to decline immediately the organization is established. The creation of adequate working relationships between organization and special representative will be greatly facilitated if special representative or one or two officers on

¹ Co-Chairmen of the CEEC Working Party.

his staff are available for consultation and advice from the beginning of organization's work. If organization functions for some time before any arrangements for relationship with United States representatives are established, basic decisions may well be taken on the basis of inadequate information United States views. Furthermore, momentum of present working relationships will be lost and new relationships will have to be built up from scratch.

4. According to present plan, Foreign Ministers will establish organization on morning of April 16. Executive committee and officers will be elected at meeting that afternoon and first session new organization will be called for April 26. One of first tasks of organization will be to consider how programming work of organization should be handled. It clear that in formulating its plan of work, in this field in particular, it is desirable that new organization should work very closely with United States representatives.

CAFFERY

840.50 Recovery/4-1348 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET US URGENT
NIACT

WASHINGTON, April 13, 1948—9 p. m.

1212. Cere 12. 1. Changes described in Rece 56¹ to agreement quoted Rece 42¹ satisfactory.

2. Re non-discrimination and MFN it was believed Jackson-Labouisse phone talk April 9 covered points Rece 47 and 53.²

3. Omission specific ref. non-discrimination acceptable in view present text Art. 6 (Rece 56) for reasons cited fourth para Rece 53.

4. Re MFN for occupied areas: (a) Brit and French have in fact opposed agreeing at every stage though not on merits, including at Geneva, Havana re ITO and GATT³ and in London. Every postponement narrows area for negotiated solution and forces us into position of insisting on inclusion in bilaterals. Dept committed to making strongest efforts to obtain agreement to non-discrimination re trade

¹ Not printed.

² Rece 47, not printed, but telegram 53 is 1813 from Paris, April 7, 1948, p. 413.

³ For documentation regarding the United States position at these conferences, see *Foreign Relations*, 1947, volume 1, and *ibid.*, 1948, volume 1.

occupied areas on reciprocal basis since US would find most difficult to assist countries discriminating against trade of areas largely dependent on US support.

(b) Issue goes far beyond occupied areas as it represents fundamental question of type of commercial policy CEEC countries will pursue and is test of sincerity their belief in general principles expressed in CEEC document and of extent to which they are willing to implement those principles. This is not essentially a GATT problem nor can it be solved through GATT since most ERP countries are not parties to GATT. There was no understanding on our part that MFN occupied areas issue had been postponed to July meeting GATT countries.

(c) You should make clear to Brit French and others that failure to include MFN in multilateral agreement will not enable them to escape MFN obligation to occupied areas for we intend to insist strongly on inclusion in bilaterals.

(d) Re Lintott's point that MFN provision would mean that GATT countries would have to extend GATT concessions to non-GATT ERP countries without receiving concessions in return. This point has some validity. Concessions at Geneva, however, were generally made on basis principal supplier rule, that is, country A made concessions on those commodities of which country B was principal supplier to country A. To extent that concessions were made on this basis, significance of concessions to non-GATT countries which were not principal suppliers of commodities in question is reduced. GATT countries, even if they should extend such concessions to non-GATT countries, retain bargaining power vis-à-vis latter in future tariff negotiations since latter would be interested in obtaining concessions on items of which they are principal supplier. U.S. practice is to generalize all concessions made in trade agreements to countries not party to agreement provided latter do not discriminate against U.S. U.S. has generalized to non-GATT countries concessions it has put into effect under GATT. There is nothing in GATT to prohibit such generalization of concessions to non-GATT countries.

5. If efforts to obtain change in agreement fail, make strong effort to have recorded interpretative note like note re 12(B) that Art. 6 means parties accept objective of achieving MFN between all parties as rapidly as possible.

6. If impossible to obtain any action without precluding signing April 16, you should make clear to all that US intends to interpret.

Art 6 as described in para. 5 above and will judge performance of mutual aid undertakings accordingly.⁴

LOVETT

⁴ Ambassador Caffery reported in telegram 1964 from Paris (Rece 60), April 14, 1948, not printed, that the substance of part four of Cere 10 had been communicated to CEEC representatives Lintott, Baraduc, and Spierenburg, who continued to maintain their previous arguments. They proposed the inclusion in the CEEC minutes of a text which, in effect, supported the principle of MFN trade, but which in reality postponed its achievement. Caffery concluded that: "inclusion of above text in minutes seems better than nothing and should help to prevent discrimination against Germany which US can, in fact, prevent by following policy outlined in Cere 12 paragraph six." (840.50 Recovery/4-1448)

The relevant interpretative note inscribed in the minutes of the Working Party, and "noted" by the Committee of Alternates in its final meeting on April 15 (C.E.E.C. document Minutes/Alternates/7, enclosure to Paris despatch 599, April 22, 840.50 Recovery/4-2248), reads:

"1. Interpretative Note on Articles 4 and 6 (18th Meeting)

"In discussion on the United States proposal for an additional clause in Article 6 dealing with most favoured nation treatment, the members of the Working Party agreed that the intention of Articles 4 and 6 of the Convention is to achieve as soon as possible amongst themselves (and also in relation to non-participating countries) a multilateral system of trade on most favoured nation basis consistent with the provisions of the Havana Charter. Taking into account the present position of the various participating countries in relation to the G.A.T.T. and the Charter, and other circumstances, a complete achievement of this objective will not be immediately possible but the members of the Working Party agreed that Article 4 provides for the immediate object of maximising trade between the participating countries, on a basis of full and equal co-operation between all the Members of the Organisation." (C.E.E.C. document C.E.E.C. (2)44 (Revise), Paris, 15th April 1948, enclosure 16 to Paris despatch No. 560, April 16, 1948, 840.50 Recovery/4-1648).

Editorial Note

The plenary body of the Committee of European Economic Co-operation (the Foreign Ministers) re-convened at the Quai d'Orsay at 11 a. m. on April 16, and approved and signed the following diplomatic instruments: the Final Act of the conference, the Convention for European Economic Cooperation, with Annex, and two supplementary protocols, and seven resolutions. The immediate result of the signings was the establishment of the Organization for European Economic Cooperation (OEEC) (on a provisional basis until July 29, 1948 when the requisite number of ratifications had been accomplished). The Final Act provided a résumé of the membership and purposes of the conference, enumerated the protocols concluded, and described the position of signatory states in relation to the Organization. The Convention, composed of a preamble and 28 articles, stated the objectives of the joint recovery program, and set forth the struc-

ture of the new Organization. The Annex concerned "Additional Provisions concerning the Functions of the Secretary-General" of the Organization. Protocol No. I dealt with the legal capacity, privileges and immunities of the Organization, and Protocol No. II was concerned with the financial regime of the Organization. The seven resolutions were sent to the Council of the new Organization for its guidance. (Resolution II recommended that the new Organization "should make all such arrangements as may be appropriate to maintain close relationships with the United States Representative in Europe appointed in accordance with the United States Economic Co-operation Act of 1948, and to assist him in the performance of his duties.")

Because of the several instruments executed on April 16 more than one source must be consulted in order to refer to all the texts. Perhaps the most readily available text for the Convention is in the Royal Institute of International Affairs, *Documents on International Affairs 1947-1948*, pages 178 ff.; this has the virtue of having been taken from the text in the French Government's *Documentation Française* (No. 889) (the Archives of the French Government are the official depository for the authentic texts in the English and French languages). Department of State Publication 3145, "Convention for European Economic Cooperation with Related Documents" (Washington, May, 1948) is, according to the inscription, "Printed from an official French text". It does not, however, include all of the resolutions. The official United Kingdom text is found in British Cmd. 7796 (Treaty Series No. 59 (1949), "Final Act of the Second Session of the Committee of European Economic Co-operation together with the Convention, Annex and Supplementary Protocols Nos. I and II." It is necessary to go to British Cmd. 7388 "Miscellaneous No. 4 (1948)" for the seven resolutions. For a publication containing both the English and the French texts of the several instruments, but not including the resolutions, see *Convention de Coopération Economique Européenne*, Paris, April 16, 1948. None of the texts, except those of the resolutions, was sent to the Department of State in the form in which it was signed. Draft texts of all the other instruments were transmitted to the Department by the Embassy in Paris in despatch 528, April 12, 1948 (840.50 Recovery/4-1648).

At the plenary meeting at the time of the signings, the Foreign Ministers made remarks appropriate to the occasion. Texts of these statements were transmitted to the Department by the Embassy in despatches 566, April 19; 599, April 22; and 620, April 26. At the conclusion of the conference, it was "agreed . . . that a message of thanks should be sent to the Government and peoples of the United States" (C.E.E.C. document Minutes/Plenary/Final, Paris, April 16, 1948, Paris despatch 599, April 22, 1948, 840.50 Recovery/4-2248).

840.50 Recovery/4-1648 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

US URGENT

PARIS, April 16, 1948—9 p. m.

2032. Rece 73. At meeting of Council [of the newly-formed Organization for European Economic Cooperation] this afternoon, following division of functions agreed upon :

I. Council: Chairman—Belgium (presumably Spaak, with Snoy as alternate) ; vice-chairmen—Greece and Denmark.

II. Executive Committee: Chairman—UK (Hall-Patch) ; vice-chairman—Sweden (presumably Hammarskjöld) ; members—France, Italy, Netherlands, Switzerland and Turkey.

III. Secretary-General: France (Marjolin). Deputies not yet chosen.

IV. Seat : Paris.

We understand that everyone is relatively satisfied.

CAFFERY

840.50 Recovery/4-1648 : Telegram

The Acting Secretary of State to the Secretary of State at Bogotá¹

SECRET

WASHINGTON, April 17, 1948—11 a. m.

Telmar 81. Eyes only and personal for Marshall from Lovett. Reference Ambassador at Large matter covered by your 67.² Hoffman has insisted that Ambassador's job is most important single operation since, without man of both business and diplomatic experience and knowledge of necessary close team play between ECA and State Department, the whole enterprise is put in jeopardy. He has requested Harriman³ or Douglas in that order, saying he and Ambassador must know and trust each other. Before President would consider Harriman he wired Douglas, who confirmed statement made before departure for London that he felt he could contribute more to ECA in his present post by backing up Roving Ambassador than by undertaking latter job and losing accumulated effectiveness in UK. President, Department and Douglas all agree doubling in brass impossible. President most reluctant give up Harriman from Cabinet and I do not know whether he has reached any decision.

Hoffman tells me long list other candidates suggested to him but only name on it he felt he could consider was Clayton, who could not

¹ Secretary Marshall headed the U.S. Delegation to the Ninth International Conference of American States at Bogotá, Colombia—March 30–May 2, 1948. He remained at the conference until April 24. The report of the U.S. Delegation was published in November as Department of State Publication No. 3263. For documentation regarding United States participation in the Conference, see vol. I, pp. 1 ff.

² Not printed.

³ Secretary of Commerce W. Averell Harriman.

accept for reasons known to you. Am informed by grapevine two Cabinet members consulted by President reluctantly advised him Ambassador's job more important in present world situation. Am unable confirm this.

Replying request for my own reaction, while President will sadly miss Harriman's balanced judgment, which represents sound meeting ground between divergent Cabinet groups, and will find it very difficult to replace adequately his advice on domestic economy, I think in circumstances President justified in making proposal to Harriman. I have kept strictly out of this in order to avoid embarrassment to Harriman, to Department, and to myself because of personal relationships, but I think Hoffman's recommendation is right.

LOVETT

840.50 Recovery/4-2048 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

CONFIDENTIAL

PARIS, April 20, 1948—9 p. m.

2104. Rece 83. 1. At his request, we went to see Marjolin today to discuss a number of points arising in the executive committee discussion following our meeting with committee yesterday (reported in Rece 81).¹ He said that considerable concern had been expressed that if Congress had already been presented with 15-month figures on proposed ECA obligations both by country and commodity, organization would be bound by these figures and that it would in fact have little real part in programming operation. We emphasized again that figures were in no way binding, that they were not in any sense allocations, and that they were used for illustrative purposes only.

2. Marjolin then inquired whether there was flexibility not only as to the amounts of commodities but also as to the types of commodities which could be expected to be financed with ECA funds. He also inquired whether the designations as to method of financing, i.e. whether by ECA funds or other, were also subject to discussion and change. We assured him that the whole program as submitted to Congress was subject to modification.

3. Marjolin asked whether in the second and third ERP quarters after the administrator had announced tentative division of funds by countries as a basis for programming he would enter into bilateral discussion with individual countries on figures announced, as was done in first ERP quarter, or whether he would insist that all recom-

¹ In telegram 2079 from Paris (Rece 81), April 19, 1948, not printed, Ambassador Caffery reported that U.S. representatives met unofficially with the members of the CEEC Executive Committee in order to receive their views as to the programming and functions of the CEEC organization. These were unofficial views since the committee had felt impelled to begin work before it could benefit from the views of the newly appointed administrator. (840.50 Recovery/4-1948)

mendations for modification in division of funds come from organization after review of programs. Latter procedure would of course strengthen role of organization.

4. We agreed to transmit summary of points raised during conversation for any additional comments you may be in position to make at present time.

CAFFERY

840.50 Recovery/4-1048 : Telegram

*The Acting Secretary of State to the Chief of the American Mission
for Aid to Greece (Griswold)*

CONFIDENTIAL

WASHINGTON, April 21, 1948—5 p. m.

Gama 626. For Griswold from Hoffman. I appreciate recommendations contained Amag 653, April 10,¹ which will receive careful consideration by ECA.

While ECA organization and operating plans are still in preliminary stages, in view special nature of Greek situation I have agreed State Dept proposal that you will for time being be given authority for administering thru present Amag, and within general framework of existing aid agreement, Greek portion of ERP so that Greek Govt will continue look to Mission for all phases Am assistance, economic as well as military. Under this agreement you will be responsible and report ECA on all phases ERP work, and will continue report to Dept with respect all military and other aspects Greek aid program.

Also arranged Dept continue for time being coordinate all functions Greek aid program including ERP, and accordingly all communications relating ERP will be handled thru same channels as for other aspects aid program. Coordination Greek ERP operations and policies will be effected Wash with ECA thru present coordinating facilities of Dept.

Many thanks last para urtel. My congratulations to you for fine job you are doing under most difficult circumstances. [Hoffman.]

LOVETT

¹ Not printed.

NAC Files,¹ Lot 60 D 137, NAC Minutes

*Minutes of the 93rd Meeting of the National Advisory Council on
International Monetary and Financial Problems, April 21, 1948*

[Extract]

TOP SECRET

[WASHINGTON.]

PRESENT

Secretary John W. Snyder (Chairman), Treasury Department
 Lt. Colonel John P. Buehler, Department of the Army, Visitor
 Mr. Willard L. Thorp, State Department
 Mr. Norman T. Ness, State Department
 Mr. J. J. Stenger, State Department
 Mr. Robert B. Eichholz, State Department
 Secretary W. Averell Harriman, Commerce Department
 Mr. Thomas C. Blaisdell, Jr., Commerce Department
 Mr. Clarence I. Blau, Commerce Department
 Mr. Thomas B. McCabe, Board of Governors, Federal Reserve
 System
 Mr. M. S. Szymczak, Board of Governors, Federal Reserve Sys-
 tem
 Mr. J. Burke Knapp, Board of Governors, Federal Reserve Sys-
 tem
 Mr. Herbert E. Gaston, Export-Import Bank
 Mr. Hawthorne Arey, Export-Import Bank
 Mr. Walter Sauer, Export-Import Bank
 Mr. Paul G. Hoffman, Economic Cooperation Administration
 Mr. Wayne C. Taylor, Economic Cooperation Administration
 Mr. A. I. Henderson, Economic Cooperation Administration
 Mr. Rifat Tirana, Economic Cooperation Administration
 Mr. Andrew N. Overby, International Monetary Fund
 Mr. George F. Luthringer, International Monetary Fund
 Mr. Eugene R. Black, International Bank
 Mr. John S. Hooker, International Bank
 Mr. Walter C. Louchheim, Jr., Securities and Exchange Commis-
 sion
 Mr. Frank A. Southard, Jr., Treasury Department
 Mr. Thomas J. Lynch, Treasury Department
 Mr. James J. Saxon, Treasury Department
 Mr. William W. Parsons, Treasury Department
 Mr. Lowell M. Pumphrey, Treasury Department
 Mr. Elting Arnold, Treasury Department
 Mr. Melville E. Locker, Treasury Department
 Mr. George Bronz, Treasury Department
 Mr. Clifford J. Hynning, Treasury Department
 Mr. John W. Gunter (Secretary)
 Mr. Andrew M. Kamarck (NAC Staff)
 Mr. Allan J. Fisher (NAC Secretariat)

¹ Master file of the documents of the National Advisory Council on International Monetary and Financial Problems for years 1945-1958, as maintained by the Bureau of Economic Affairs of the Department of State.

Action. The following action was taken :

The Council recommends that in principle the terms of payment on ECA loans be in general conformity with the terms of loans by the Export-Import Bank under its 1945 Act, with due regard to the character and purpose of the loans approved by the Economic Cooperation Administration.

The Council recommends that the Administrator in arriving at the terms of payment of such loans consider the following :

(a) that, other things being equal, the terms of payment should be uniform among participating countries;

(b) that the typical final maturity should be as long as necessary so that the schedule of repayments should not be burdensome, and that principal payments should, in general, not occur during the period of the Economic Cooperation Act of 1948;

(c) that the rate of interest should normally not exceed 3½ percent per annum;

(d) that variations of the terms of any individual loan from the typical or normal terms should not be precluded :

(i) so long as the aggregate annual burden of debt assumed by the borrowing country is not substantially changed from that which would result from general application of the normal terms, or

(ii) where the borrowing country appears able to pay within a shorter period for all assistance received ;

(e) that, although it would be desirable for loans of particular maturities to be assigned, where possible, to suitable commodities or projects; the serious nature of the balance of payments deficits giving rise to this program commends the use of great caution in varying the terms of loans by reason of the nature of the commodity or project;

(f) that consideration be given to the question of including in the loan contracts a provision for postponement of payment or modification of service charges in periods of unanticipated balance of payments stringency.

840.50 Recovery/4-2948

*Memorandum of Conversation, by Mr. John W. Auchincloss of the
Office of European Affairs*

WASHINGTON, April 29, 1948.

Participants: Mr. Bruggmann, Minister of Switzerland
Mr. Conklin, WE
Mr. Auchincloss, EUR

Mr. Bruggmann came to the Department, at his own request, to discuss the notes which are to be exchanged between the United States and Switzerland to satisfy the requirements of section 115 of the Economic Cooperation Act.

The Minister had received copies of the draft notes approved by Mr. Hoffman on April 14, and he had heard from his government that the text of the proposed reply note raised certain difficulties. These he discussed in some detail. The difficulties seemed to center around two main points.

In the first place, there is a fundamental difference between the Swiss and American conceptions of the "assistance" to be furnished under the Act. In the Swiss view, assistance refers only to various types of financial aid, and since Switzerland needs none of these, the Minister regards his country as in a special category. He maintained that Switzerland was not a recipient country, but a contributing one only, and that since no assistance would be furnished to Switzerland, it was not necessary for his government to give the assurances which the Act requires as a condition of eligibility for assistance. It was also his position that there would be no occasion for a bilateral agreement until the need for assistance became apparent. Mr. Bruggmann stated that his country asked for nothing under the Act but the continuance of normal trade relations, and that he hoped Switzerland would be able to obtain all it needed in the normal practice of commerce, as had been the case up to now.

The Minister was told that the American position was quite different from this, and that under the Act "assistance" covers the performance of many functions besides financial aid. For example, it includes various services of procurement, shipping and allocation, and section 112(g) even establishes an export priority in favor of the participating countries. Since it was expected that Switzerland would receive allocations from the Administrator, and possibly other services as well, it was the American view that Switzerland would in fact be receiving assistance, although of course not on the same scale as many of the other countries. This assistance, however, could not be supplied until the requirements of section 115 had been satisfied. It was further pointed out that we did not consider Switzerland's position unique, since we regarded all participating countries as being both contributing and receiving countries, although of course in varying degrees. We could not be sure that Switzerland would be able to obtain requirements in the normal pattern of trade; that pattern had been changed in favor of a coordinated supplying of European requirements, and if a country did not take advantage of the priority status given by the Act, it would run some risk of obtaining less than it would like to have.

The second point which troubles the Swiss is one which involves their status of neutrality. The draft presented to them requires Switzerland (like all the other participating governments) to adhere to the purposes and policies of the Act. This would involve acceptance of the policy, which is stated in sub-section 102(a), "to sustain and strengthen principles of individual liberty, free institutions, and

genuine independence in Europe". The Minister stated that the Swiss Government could not officially adopt a policy of this kind, because that would be a departure from neutrality, and would expose his country to pressure from the Soviet Union for agreements containing commitments far more extensive than Switzerland would like to make. He felt that adherence to this policy would give a political character to his country's participation in the recovery program, and he declared that Switzerland could go no further than she had in the recent Convention at Paris of April 16, in which her freedom of action and right to abstain from questions which do not interest her are assured by article 14. The Minister stated that his government was in complete sympathy with the program, but in signing any document it would have to secure full protection for its special position.

In reply to these points the Minister was told that it was surprising that a question of neutrality should be raised by adherence to the purposes of the Act. However, the signing of the Paris Convention could not be taken as a compliance with the requirements of section 115, because the Convention is an agreement to establish an organization and to define relations between the participating countries in Europe, whereas the bilateral agreements are intended to define relations between the United States and each individual participating country.

The Minister had with him a tentative draft note which varied in three main points from the American version.

a. The Swiss Government accepted the purpose of the Act "in principle". The Minister was told that this was less than a complete adherence to the purposes and policies of the Act; the note would therefore be unacceptable, since it could not provide a basis for the necessary finding by the Administrator.

b. The draft stated that Switzerland would consider the conclusion of a bilateral agreement if the need of assistance should make it necessary to do so. This language was also unacceptable, since it expressed something less than a clear intention to conclude the necessary agreement.

c. The Minister expressed the hope that Switzerland would continue to receive its fair share of materials from the United States in the framework of normal trade and on the same basis as the participating nations. The Minister was told that we did not share this confidence, and that if the Swiss should make such a statement, we would probably be obliged to make a correcting statement in reply.

The Minister regarded the note as only a preliminary version and had no particular desire to leave it in the Department. He was told that we also preferred him to keep the note, so that any changes in drafting to be considered later would be variations from the American version, rather than from the one he had brought with him. As things were left, the Minister was told that the Department would give full consideration to his points and try to find some mutually satisfactory language. At the same time, there could be no substantial deviation

from the American draft, because that draft reflected the minimum requirements of the Act.

840.50 Recovery/4-3048 : Circular telegram

*The Secretary of State to Certain Diplomatic Offices in Europe*¹

CONFIDENTIAL

WASHINGTON, April 30, 1948—noon.

Re bilateral agreements under Economic Cooperation Act:

1. Under Act bilateral agreement pursuant Section 115(b) required in case each participating country. Unless such agreement in effect July 3, 1948 Admr would not be authorized to extend assistance thereafter.

2. In view of requirements in many countries that agreement be ratified by parliament necessary to use every effort to have form of bilaterals agreed by June 10 if possible.

3. Desired to have greatest practicable uniformity in bilaterals. Recognized that during negotiations a number of questions will arise requiring policy decisions and extensive consultation within US Govt particularly with Admr.

4. Tight time schedule makes necessary the use of all available means of negotiation to achieve agreement. Therefore believed necessary that considerable part of discussions with participating countries take place in Wash although US missions in countries will be called upon to carry on discussions of particular points. In addition may become desirable to use OEEC mechanism to reach uniformity in certain cases. Although desirability of avoiding concentration of ERP matters in Wash and political desirability of negotiation in Europe are recognized, seems inescapable to have large part of discussions in Wash. Final signing of agreements probably done in participating countries.

5. Dept expects to have draft bilateral agreement for discussion with countries completed by May 10. Copies will be sent soonest to you and conversations will begin with foreign missions here as soon as draft ready. In case of Greece expect principal negotiations will be Athens and separate instructions will be sent.

6. Discussions of bilaterals will be independent of any discussions re programs of assistance or terms of any credit.

7. Principal provisions for bilaterals are contained in Section 115(b) of Act. Additional standard provisions now contemplated include: (a) statement of adherence to purposes and policies of Act as stated in Sections 102(a) and (b); (b) clause agreeing to take measures to prevent restrictive practices which would limit production or expansion of trade; (c) reciprocal agreement according MFN treatment with respect to trade of participating country and US including

¹ Sent to diplomatic offices in all CEEC capitals and in the United States zone in Germany.

areas of Germany, Trieste, Japan and Korea, for which US has responsibility; (d) agreement re giving publicity within country and among participating countries of purposes of recovery program and actions taken in furtherance thereof; (e) agreement to extend cooperation to special ECA missions.

8. You are requested to study Section 115(b) of Act and para 7 above and submit to Dept earliest your views as to circumstances which make any of suggested clauses not applicable to country to which you are accredited. Now proposed not to include local proceeds clause under Section 115(b) (6) in case of countries which presumably will not receive grants since bilaterals will necessarily be subject to further amendment as required.

9. Dept will keep you fully informed re progress.

10. You are authorized to convey substance paras 1 through 6 to Govt to which you are accredited. Dept will likewise notify missions here immediately.

MARSHALL

Current Economic Developments, Lot 70D467

Current Economic Developments

[Extract]

SECRET

[WASHINGTON, May 3, 1948.]

No. 149

TENTATIVE RECOVERY ALLOCATIONS BRING SOME PROTESTS; OEEC PROGRAMMING GETS UNDER WAY

On April 20 the Executive Branch submitted to the House Appropriations Committee tentative figures on hypothetical and purely illustrative distribution among countries and commodities for the first year of the European Recovery Program.

Although it was made clear that the figures were tentative and subject to revision, the public and the press in a number of the participating countries have been agitated because the estimates were lower than had been hoped for. The provisional figures listed estimates of ECA obligations for the UK and dependencies to receive \$1,324,300,000; France and dependencies, \$1,130,800,000; Italy \$703,600,000; The Netherlands and dependencies \$599,600,000; Austria, \$185,600,000; Belgium-Luxembourg and dependencies \$295,500,000; Denmark \$130,800,000; Greece \$106,400,000; Iceland \$10,900,000; Ireland \$113,900,000; Norway \$32,800,000; Sweden \$28,400,000; Turkey \$10,000,000; Bizonal area of Germany \$437,400,000; French zone in Germany \$96,400,000; Saar Basin \$15,600,000; with no allotments for Switzerland or Portugal the first year as Switzerland requires no aid and Portugal is expected to receive assistance from other countries.

Commodities receiving the highest provisional allocations included grain \$957,200,000; fats and oils \$131,900,000; sugar \$117,900,000; dairy products \$133,500,000; tobacco products \$110,200,000; cotton \$511,300,000; coal \$245,300,000; petroleum products \$379,700,000; timber \$142,200,000; and chemicals \$166,500,000. Machinery allocations included \$81,500,000 for agricultural machinery; \$49,100,000 for coal mining machinery and \$329,400,000 for machinery not otherwise specified.

Greek reaction to the tentative allocation of \$106.4 million has been very unfavorable and the Mission as well, has repeatedly warned that this amount is insufficient. We have advised the Mission that the figure is only illustrative; that tentative estimates of the total Greek deficit for the 12-month period are in the neighborhood of \$240 million; and that our previous statement still stands that in the case of Greece the irreducible deficit with all areas must somehow be financed. The ECA Administrator, in view of the special nature of the Greek situation, has designated the present Mission as the authority for administering the Greek Recovery Program for the time being. The Mission will report to ECA on all phases of Recovery Program work and report to the Department with regard to all military and other aspects of the program. The Mission now reports that the Greek Government is complying or has taken reasonable steps toward compliance with the provisions of the Act for aid. A satisfactory budget balance has been maintained during the present fiscal year; agreement has been reached on areas where proposed expenditures can be cut next year and increased revenue obtained; the government has agreed to remove the subsidy on bread not later than June; and the law for locating, identifying and using assets abroad was enacted April 28. The certificate plan will be operated to adjust the exchange rate so as to maintain a valid rate of exchange.

Embassy Ankara reports it is entirely possible the Turkish Government will consider its position stronger domestically if it declines Recovery Program credits than if it accepts an amount judged unsatisfactory in the light of Turkey's international position and needs. The \$10 million estimate for the year is especially disappointing in view of an earlier calculation that \$10 million might be available the first quarter. This was told in confidence by Turkish officials to certain members of the parliamentary group and makes it most embarrassing to go before the Assembly with the lower figure. Department officials have made it clear to Turkish representatives here, as has Ambassador Wilson in Ankara, that the estimate is most tentative and subject to decision by the ECA Administrator. Wilson suggested to the Turks that they make plans to utilize the \$10 million, try to convince the Administrator of the need for more funds, and at the same time approach the International Bank for additional credits.

Sweden is reluctant to accept aid without complete knowledge of the conditions and it is believed that the Swedes are holding closely to their neutrality tradition and want to be sure the Recovery Program does not become political before they enter wholeheartedly into it.

GREECE, GERMANY, AND AUSTRIA PRESENT SPECIAL PROBLEMS

Since the Recovery Program provides for assistance in covering balance of payments deficits solely within the Western Hemisphere, the US is confronted with a special problem in certain areas of primary US responsibility, namely, Austria, Greece and Germany. In the case of Austria and Greece the deficit lies for the most part with other participants. A plan is under study which could be applied by ECA to all deficits recorded by participating countries in trade with other participants. This device would consist essentially of offshore procurement by the US in one participating country for the account of another. There are other problems of Austrian and Greek deficits involved in eastern European trade and with nonparticipating countries outside the Western Hemisphere which will have to be worked out. Happily, however, these amounts are not large.

From a different angle Germany presents an equally complex problem. It was contemplated in the original Recovery Program calculations that the purchase of German coal by participating countries would be paid for by offset purchases by Germany of their export products, especially food. We are now confronted with a situation in Denmark, Norway, Holland and to a lesser extent in Italy, where US authorities in Germany refuse to approve the use of funds for the purchase of certain high cost foods from these countries. This leaves to be settled the method of payment by these countries for German coal imports for which US military authorities in Germany are demanding dollars. If dollar Recovery funds allotted these countries are used for the purchase of German coal, Germany will be receiving more Recovery fund dollars than allotted to her under ECA allocation unless offset by equivalent reductions in the allotments.

840.50 Recovery/5-748: Telegram

The Ambassador in Turkey (Wilson) to the Secretary of State

CONFIDENTIAL PRIORITY

ANKARA, May 5, 1948—5 p. m.

359. Foreign Minister asked me call on him this morning. He said Turkish Ambassador Washington telegraphed few days ago requesting instructions re signing letter intent and negotiating bilateral agreement under ERP (mytels 347, May 2 and 348, May 3).¹ Sadak

¹ Not printed.

said Cabinet meeting yesterday decided not accept ten million credit and instruct Ambassador not sign letter intent or negotiate agreement. Sadak said reasons for decision twofold. (1) Internal political reasons: entirely apart from his personal position which would be most difficult, government itself would be in impossible situation before National Assembly and would be subject to most serious attacks from opposition and in press (reasons set out mytels under reference). (2) As practical matter Turkey would be unable make effective contribution to European recovery with only ten million credit. Turkey therefore should not by accepting this amount obligate itself to do something which in fact it would be unable to do. For above reasons government had decided inform Assembly that it preferred decline inadequate credits offered although Turkey would continue cooperate to best of its ability as member of ERP.

Sadak said he was troubled about this matter and would like my personal advice. I told him I thought Turkey would be making serious mistake by pursuing this course. I urged government reconsider its decision, sign letter of intent, and negotiate bilateral agreement while at same time continuing to present all arguments possible to administrator in effort obtain amount of credits which would permit Turkey make effective contribution to European recovery. I said that at worst if after continued efforts obtain improvement in amount credits Turkey was unsuccessful in this, Turkey could still decline to accept credits offered. I urged government refrain from any public declaration at this time of its intention to refuse credits and to strive above all to keep door open for further discussions in Washington proceeding with signature letter of intent and negotiations for bilateral agreement.

Sadak said he would ask Prime Minister to call Cabinet together again tomorrow to reconsider decision in light my suggestions. He will inform me of result and I will report further.

In advising Sadak as above I of course made it clear that I could hold out no assurances of increased credits. In speaking with him as I did I had in mind, apart from effective contribution which Turkey might make to ERP, political considerations re inadvisability action which would inevitably create impression in Turkey and in other countries of serious misunderstanding between US and Turkey.²

WILSON

² In telegram 363 from Ankara, May 8, 1948, not printed, Ambassador Wilson reported that Foreign Minister Sadak had been authorized, at a special cabinet meeting, to sign a letter of intent and negotiate a bilateral agreement. Sadak noted that while he realized the Administrator could not modify Turkey's tentative allocation at the present time, Turkey hoped to get increased credits in the near future. Ambassador Wilson noted that he thought "it clear Turks have no present intention utilize proposed 10 millions unless and until this figure is bettered." (840.50 Recovery/5-848)

840.50 Recovery/5-648 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, May 6, 1948—1 a. m.

2416. For Harriman¹ from Bonesteel. Please restrict distribution. I have discussed with Ambassadors Caffery and Douglas the question of your quick trip here this weekend as against delaying visit until you can come permanently. Have also discreetly sounded out British, French and Italians. All are of opinion you should come for few days only to arrive Monday at latest. Douglas hopes you will then come London but before Friday next week as he will then be away.

Council meets Monday and Tuesday and will not, on present information, be attended by Foreign Ministers. Snoy of Belgium not Spaak will be in charge. This, however, may be tactically useful to you in conversations with Bidault² and Mayer and Bevin and Cripps since force will be given to arguments and our displeasure at low level of present handling of OEEC.

We are dubious as to ability of Hall-Patch to given dynamic leadership to Executive Committee and question whether Executive Committee with present level of representation will do requisite job. Believe your early visit here will permit top level discussion on present set-up and possible change before organization becomes jelled. Some lift in tone and approach seems necessary. If you are coming this weekend please advise us and missions in participating countries. Also suggest press announcement soonest. [Bonesteel.]

CAFFERY

¹ Averell Harriman, formerly Secretary of Commerce, had been confirmed by the Senate as U.S. Special Representative in Europe on April 26, 1948.

² Georges Bidault, French Minister for Foreign Affairs.

840.50 Recovery/5-848 : Telegram

The Ambassador in Norway (Bay) to the Secretary of State

CONFIDENTIAL US URGENT

OSLO, May 8, 1948—2 p. m.

281. Upon further review of proposed ERP allocations to Norway outlined Deptel 173, April 19¹ and in light of consultations with Norwegian Government officials I am persuaded that Department has in many instances over-estimated potential Norwegian earnings and under-estimated requisite Norwegian expenditures. As indicated in Embtel 254, April 23¹ responsible Norwegian officials cannot presently foresee dollar earnings in excess 105 million in next 15 months compared Department's estimate of 120.7. As indicated in Embtel 271,

¹ Not printed.

May 3² Norwegian authorities estimate net dollar receipts US tourism 0.9 million compared Department's estimate 4.5 and payments to US for interest and amortization 10 million plus ship loan amortizations 19 compared Department's estimate 9.6. Further Norwegian authorities compute available usable credits 38 million compared Department's estimate 79.8.

I strongly urge Department consider immediate upward adjustment proposed allocation only 42.1 million dollars ERP funds Norway to sum which will permit approximation Norwegian estimate dollar deficit for 15 month period 116.5. Unless credits grants in aid approximate this anticipated dollar deficit Norwegian recovery will be seriously retarded and consumer rations further reduced.

Norway's credit rating record repayment loans is outstanding. I firmly believe Norway merits purely on financial considerations ERP assistance in amount she has indicated. Government has imposed rigid licensing procedures assure intelligent use dollar other foreign exchange. Norwegian people generally and to notable degree have cooperated prevent black market operations in commodities or currency. Government has accorded primary emphasis rebuilding expanding merchant fleet permit ultimate restoration normal trade relations and cooperated other countries effect coordination recovery programs including measures looking towards reduction trade barriers. Given adequate financial assistance prospects intensification these efforts with ultimate loan repayments appears excellent.

Willingness to recognize Norway's credit reputation prospects and needs at this critical juncture could well stimulate political activity favorable to US foreign policy. Norwegian Foreign policy has developed remarkably in favor of west during recent months but government leaders could well relapse into some moderate form of political apathy in reaction to inferred unfair economic response by ECA. Although Norwegian officials publicly have emphasized tentative character proposed ERP allocations they do not conceal hope and belief in necessity ultimate upward revision. This increase in proposed ERP allocations in my opinion should be effected as soon as possible to avoid indelibly fixing 42.1 million figure in minds of Congress, CEEC organization and Norwegian people.

I believe our policy should be one of calculated generosity in light of Norway's strategic international position. Norway's future decisions and actions will have important influence on evolution of Danish and even Swedish policies and Scandinavian trend may largely determine whether Russia will have important Atlantic outlets. In my opinion 50 or 100 million dollars invested in Norway today will prove sound investment in broad US strategy toward European reconstruction.

Bay

² Not printed.

London Embassy Files : Lot 59 F59 : File 850 Marshall Plan

Memorandum by Mr. W. L. Hebbard of the Economic Cooperation Administration Mission in the United Kingdom to the Ambassador in the United Kingdom (Douglas)

SECRET

[LONDON,] May 10, 1948.

Subject : OEEC Plan for Financing European Trade

It appears from information received at the Embassy that the technical group set up at the recent Brussels Conference will propose a plan for financing intra-European trade which represents a modified version of the "Ansiaux-Playfair Plan." Presumably the modified plan is being presented to E.C.A. representatives in Paris this week. This memorandum describes and assesses the modified plan.

I. Basic Elements of the Plan

The following hypothetical example is set forth as an aid to analyzing the significance, to the United Kingdom, of the somewhat complex provisions of the plan.

1. Assume that the United Kingdom receives \$1,300 million under E.C.A. \$340 million being credits and \$960 million being gifts. The United Kingdom places £240 million (the sterling equivalent of \$960 million) in a Special Account at the Bank of England. E.C.A. agreement is needed to pay out of this account.

2. With E.C.A. approval, the United Kingdom agrees that £40 million—one sixth—of the sum in its Special Account will be available for financing European Trade.

3. In spite of endeavors to reduce its sterling area deficit, France runs low on sterling. It requests the United Kingdom, under the plan, to transfer sterling to France's account at the Bank of England. For simplicity, assume the whole £40 million is transferred.

4. In return, France undertakes two steps. The first is to obtain the French franc equivalent of £40 million, and deposit this sum in the French Special Account in Paris. Technically this might require an initial borrowing by the French Government, but the whole operation would be self-cancelling, because the Government would recoup the francs by selling sterling to French importers over the following months. The effect of this is to change the distribution, but not the total dollar value, of OEEC Special Accounts under E.C.A. supervision.

5. The second step taken by France is to draw £40 million, in sterling from the I.M.F. This has two effects.

(a) France can finance a deficit of £80 million—half by the United Kingdom contribution and half by the I.M.F. drawing.

(b) More important, however, is that the Fund's holdings of sterling decrease when France buys sterling for francs. Since United Kingdom drawing of dollars is limited by the amount of sterling the Fund may

hold, the French drawing of sterling increases the United Kingdom ability to draw dollars.

6. In actual practice, the £40 million would not all be transferred by the United Kingdom to France in a lump. Periodic drawings would take place. When France's drawings reached 25 percent of the sum in the French Special Account, the United Kingdom and France would discuss ways to reduce France's sterling deficit. The limit on France's drawings would be 5 percent more, or 30 percent.

7. On its part, France would agree to make available for financing European trade, not only the initial one-sixth of its grants-in-aid, but also the franc equivalent of its aid from the United Kingdom. Thus, the United Kingdom "loan" to France would be reversible, if in the future the sterling area began to incur a deficit with the franc area.

II. *Analysis*

The key point of the plan is the compensatory drawing on the I.M.F. by a deficit country. The British state that the Belgians would not readily accept the plan without this provision. Insofar as they are creditors inside Europe, the British will, probably, adopt the same attitude. But this key provision is unsatisfactory, both technically and in terms of the problem to be solved.

A. *Obstacles to I.M.F. Drawings*: A Paris cable points out that:

Italy and France cannot draw on the Fund;
Sweden, Switzerland and Portugal are not members; and
United Kingdom, Netherlands and Belgium have exhausted their
present borrowing rights.

These eight countries account for nine-tenths of the aid allocations outside of Germany. With respect to the great bulk of European trade, therefore, the Brussels plan depends either on a relaxation of the I.M.F. restrictions upon drawing foreign currencies, or upon *ad hoc* arrangements of *quid pro quos* to substitute for the I.M.F. drawings. If, however, the plan reduces itself to nothing more than a proposal for future *ad hoc* arrangements, it would seem unreasonable to dignify it by calling it a concrete "plan."

B. *Evasion of Basic Problem*: A more fundamental weakness is that this provision reflects a failure to deal directly with the basic problem.

The basic problem we have to deal with divides itself into two parts. The first is the imbalance of trade between Europe and the Western Hemisphere. By the E.C.A. we have agreed that this larger problem will be solved, largely on a gift basis. The second part of the problem—which is important but somewhat more restricted—lies in the imbalance of trade among the various participants. Our attitude has been—and the formulation of E.C.A. reflects this attitude—that this problem must be solved by the participants.

The problem cannot be avoided. We have worked for many months in Washington trying to devise ways to rechannel dollars and to revise allocations, in an attempt to avoid it. But it is impossible to escape the fundamental economic fact that unless the level of trade is reduced to dangerous levels, some countries in Europe are going to incur deficits with others. Economically it is unavoidable that some European countries must be creditors and others must be debtors on intra-European account. The issue which faces the E.C.A. in Paris this week is whether goods can be made to flow in the right direction inside Europe on any other basis than that of immediate and explicit gain for the net exporting countries.

If the plan outlined above is the one which is proposed by the European countries, an answer to this question is in the negative. The provision for I.M.F. borrowing is an attempt to throw this extra credit problem back onto the dollar, through the I.M.F. Belgium, for example, wants to receive dollars to the full extent of its local currency made available to France. It is understandable that Belgium should want, in effect, to export to France against dollars, but these are not times in which the ideal solution can be planned for. It is simply not possible, yet, to finance the whole of world trade with dollars, and it is inescapable that this requires genuine financing in non-dollar currencies.

A related objection is that the scheme, in order to work, would require a distortion of our present method of determining the amount of E.C.A. assistance needed. In essence we calculate appropriations by the formula:

Dollar needs—dollar receipts=ECA assistance.

If drawings on the I.M.F. are to be permitted, they should enter into the equation under dollar receipts. If they do not, we are essentially saying that Belgium can demand dollars for exports to France without counting those dollars as "available." But if they do enter into the equation, Belgium's E.C.A. appropriation should be cut, and Belgium would be no better off than if there had been no *quid pro quo* to its assistance to France. Since this latter is obviously not what is sought, the plan boils down to an attempt to obtain current dollars which will remain outside the purview of the E.C.A.

III. *Conclusion*: It must be concluded that the Brussels technicians have not faced up to the problem realistically. While their desire to obtain free dollars or to combat inflation is understandable, it is to be regretted that they seem to find it impossible to adjust themselves to the present framework of U.S. assistance, which while admittedly not ideal, is nevertheless a generous and adequate basis on which to build a genuine plan for self-help. As pointed out above it solves the problem of the imbalance between the East and West largely on a gift basis. It is impossible, however, for it to solve a similar problem

of the imbalances in intra-European trade. Whether the European countries do their financing on a credit or a gift basis is at the moment immaterial; what is inescapable is that they must solve them outside the scope of dollar assistance.

W. L. H[EBBARD]

Current Economic Developments, Lot 70D467

Current Economic Developments

[Extract]

SECRET

[WASHINGTON, May 24, 1948.]

No. 152

Together with other interested agencies, the Department is examining the problem of dollar deficits of certain countries not participating in the Recovery Program outside the Western Hemisphere which are mainly members of the British Empire or Commonwealth, or are in the sterling area. Under existing sterling area arrangements, the dollar deficits which they may incur are met from British reserves. Planning for the Recovery Program envisaged US financing of no more than the Western Hemisphere deficits of UK and its dependent territories. No provision was made in the program for the dollar drain on the UK of the independent sterling area countries outside of Europe. Of the total membership of the sterling area, only three independent members, the UK, Ireland and Iceland are included in the Program. The other self-governing members, South Africa, India, Pakistan, Ceylon, Burma, Australia, New Zealand, Southern Rhodesia, the Faroe Islands and Iraq are excluded from the Program and their dollar deficits are met from British reserves.

The Problem. In a recent memorandum to the US the British stated that prospective Recovery financing will not supply the margin required to cover their estimated hard currency requirements for 1948-49. They propose that, in order to maintain their gold and dollar reserves at their present level of about \$2.2 billion, they will meet the dollar demands of the sterling area countries by diverting their current dollar receipts, probably retarding recovery in the UK by lowering consumption and investment levels.

In effect, the sterling area problem constitutes a three-fold drain on UK resources: 1) direct furnishing of dollars to meet the Western Hemisphere deficits of these countries; 2) supplying exports against previously accumulated sterling balances. While these exports result in a reduction of UK sterling obligations, they bring no payment to

the UK in either goods or foreign exchange; 3) transferring large amounts of British capital. During 1947 more than \$700 million of British capital was transferred to the sterling area.

Although the British have said that they will attempt to minimize these drains on their resources, nevertheless they will have to be met out of current income, Recovery Program assistance, and/or other foreign credits. The British estimate that during 1948-49 dollar needs of of these non-participating independent sterling area countries will amount to \$300 million.

Department Views. In an effort to reduce the dollar needs of this group we believe that the British should attempt to eliminate non-essential dollar imports of the sterling-area countries, and to obtain an increase in their dollar exports. Our present thinking is that the remaining deficit could be met through credits (for example International Bank or Eximbank loans) to sterling area countries, liquidation of assets, and by reduction in the UK reserves. Although maintenance of participating countries' reserves is one of the stated objectives of the Recovery Program, we think that the UK reserves of a little less than \$2.2 billion can be reduced moderately without serious damage to the UK financial position.

The UK's role in maintaining the multilateral trade area of the sterling countries is important but the UK must also play a leading part in the economic recovery of Europe. The British must be convinced that continued American interest in European recovery depends in large part on the boldness, imagination, and vigor with which the Europeans themselves attack their problem. We expect them to devote their own resources to the fullest extent possible to the primary objective of European recovery. This would mean cutting down on all unnecessary leakages to non-participating areas, and for the British would involve reducing their exports against previously accumulated sterling balances, and limiting their capital transfers to the sterling area. While these transfers result in British investments in the sterling area, there is no assurance that all will go into productive enterprises, nor that, in any event, the UK can afford to make all of even the most profitable kinds of foreign investment at present.

With regard to the problem in future years, we believe that nothing can be done until more information is available on the magnitude and duration of future deficits. In studying the problem for future treatment, consideration should be given among other things to: 1) specifically including the sterling area net dollar requirements in the next Recovery Program appropriation request as a part of the UK deficit; and 2) taking steps to increase US imports from the sterling area.

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840.50 Recovery/5-2548

The Irish Minister of External Affairs (MacBride), Temporarily in Washington, to the Director of the Office of European Affairs (Hickerson)

PERSONAL

WASHINGTON, May 25, 1948.

DEAR MR. HICKERSON: As arranged, I am sending herewith a copy of a memorandum¹ which I am sending to Mr. Hoffman today.

This memorandum deals with economic considerations. In addition to these, there are one or two additional considerations which I did not set out in the memorandum to Mr. Hoffman, as I felt that being more of a political nature, it would not be appropriate to do so in a memorandum to the E.C.A. I set them out for your consideration hereunder:

1. In the event of a war, it seems to me that Ireland's capacity to produce food is vital. Britain, as well as other European countries, would require every ounce of food that Ireland can produce so as to minimize a drain on the resources of the United States and to conserve shipping space.

For this reason, it seems to me that the rapid rehabilitation of such agricultural output is of primary importance.

2. While I appreciate fully that the State Department's view is that it is not directly concerned with the partition of Ireland issue, this issue does, however, unfortunately project itself into the loan versus grant question.

It is inevitable that the fact that dollars are being given by way of grant to the six county area through Britain, whereas aid by way of grant is not being made available to Ireland will be construed as support by the United States to the continuance of partition. This will tend to create an unfavourable impression.

The fact that the six county area has a favourable balance with the Western Hemisphere and is not therefore faced with a dollar shortage will only serve to fortify the impression that some political significance attaches to the decision of ECA.

I feel quite certain that no such political considerations influenced the views of the State Department or of the ECA, but I fear that nevertheless, whether we like it or not, such implications in the public mind are inevitable.

I would like to take this opportunity of thanking you for the understanding and consideration with which you dealt with our problem.

¹ The accompanying memorandum, not printed, stated that Ireland wished to contribute to the maximum of its ability to the economic recovery of Western Europe, described the problems of Irish recovery, and expressed "concern that participation in the program should not entail the contracting of a heavy and irrepayable external debt." The memorandum urged that imports vital to the recovery program be "financed within the scope of the E.R.P."

It has been a very real pleasure for us to meet you and I hope that we shall meet again in the future.

Yours sincerely,

SÉAN MACBRIDE ²

² Mr. MacBride added the following in his own handwriting as a postscript: "While gardening or sucking a pipe in your leisure hours I hope that you may give a fleeting thought to the problems we were discussing the other evening. [At this point the original contains a marginal notation "Western Union and ultimately a U.S. of Europe J(ohn) H(ickerson)] If at any time you want to discuss this with me don't hesitate to let me know. I shall always make time to come over—unless we can persuade you to come to Ireland instead.

"Please don't bother to acknowledge this note. S. MacB."

S40.50 Recovery/6-248: Circular telegram

The Acting Secretary of State to Certain Diplomatic Offices in Europe ¹

CONFIDENTIAL US URGENT WASHINGTON, June 2, 1948—5 a. m.

Re bilateral ECA agreements Depcirtel April 30. In view short time available negotiation ECA agreements Dept is becoming increasingly concerned by 1) general tendency participating govts delay begin serious negotiations, 2) confusion which may have been created by reports concerning possible discussion of agreements at informal OEEC meeting at Paris on June 3, and 3) possibility that fact of concurrent discussions in Washington and foreign capital concerned, in case of several agreements, may have led misunderstanding re locus of negotiations. For your info in connection with (1), Brit Govt has suggested delay in signature of US-UK agreement until August in order allow time further consideration.

In light foregoing, please immediately make following points clear to govt to which you are accredited:

1. If agreement not concluded by July 3, EC Administrator has no choice but to suspend assistance until such time as agreement is concluded.

2. US Govt would consider it desirable and helpful if participating countries discussed agreement among themselves in informal OEEC meeting at Paris beginning June 3. However, such discussions should be concluded soonest in order permit early initiation or resumption bilateral negotiations with US. US not prepared negotiate agreements at Paris.

3. Negotiations all agreements except those with Greece and Turkey must be conducted Washington although formal signature in foreign capital contemplated.

LOVETT

¹ Sent to diplomatic offices in all CEEC capitals.

Lot 20, Box 1518: Telegram

*The United States Special Representative in Europe (Harriman) to
the Secretary of State*

CONFIDENTIAL

US URGENT

PARIS, June 4, 1948—7 p. m.

Toeca 79. For Thorp, Henderson and Taylor. Nebolsine, Bonesteel and I have had informal talks with Snoy, Alphand, Hall-Patch, who inform as follows:

1. They understand clearly that negotiations must take place in Washington as promptly as possible.

2. The bilaterals will be discussed informally by the council tomorrow June 5.

3. Thereafter instructions will be issued by the respective governments to their Ambassadors in Washington.

4. It is strongly felt that the only way certain difficulties can be smoothed out will be for the Ambassadors of UK, France and Belgium to go over these points with the State Department possibly as early as Tuesday of next week (Hall-Patch is dubious as to whether the instructions will reach UK Embassy by middle of next week because Cabinet must review them and they will not act until after they receive report of informal discussions among sixteen nations to be held in Paris tomorrow).

5. The scope of the presentations by the two or three Ambassadors will probably include among others:

a. Strong objection to the tone of the draft bilateral which is thought to be unnecessarily non-reciprocal.

b. There is considerable resistance to article 10, exchange rates, which is said to be unacceptable in its present form.

c. There is considerable objection to MFN treatment, particularly Japan and Korea and the thought that the whole topic should be handled outside the bilateral.

d. There is resistance to going beyond the specific language of the act, but particular examples have not been given us.

e. The non-reciprocal character of the arbitration article 16 is objectionable.

f. Article 17, paragraph 3, is regarded as tending to require compliance with acts of Congress not yet enacted and is therefore objectionable.

6. All three strongly urge that text of present draft be held confidential as it would be found most objectionable to public opinion in many European countries.¹ In the course of discussion both Hall-

¹ Marginal notation: "See dispatch from London in *Wash. Post*!" With reference to this newspaper article, telegram 2485 from London, June 5, 1948, not printed, notes that "Makins regarded as unfortunate the leak contained in Don Cook Paris *Herald Tribune* article June 3 with London dateline which emphasized significance of devaluation question and also referred to uneasiness caused by general tone of bilaterals. UK was anxious keep entire approach confidential." (840.50 Recovery/6-548)

Patch and Alphand indicated that they did not think their governments would want to present bilateral in present form to their respective Parliaments and Alphand emphasized that in view of far-reaching character of the proposed agreements the governments would have to present them to their Parliaments.

7. For estimate current French political situation please see regular State Department information cables this topic.

8. All three suggest further meeting with Bonesteel and Nebolsine Monday morning to discuss instructions to be issued to Ambassadors. If acceptable to State the three Ambassadors wish to negotiate with State all principal points in advance of conclusion of bilateral negotiations with any other participating country.

9. They express the fear that one of the participating nations may be prevailed upon to accept the bilateral in its present form and thus crystallize the situation. This would make for great difficulty both for the US and for the other countries since the present form deemed unacceptable to several countries. On the other hand there is apprehension in some quarters that those nations concluding negotiations early would not get the best trade. Accordingly, all three urge that their proposed procedure (paragraph 8) would result in most expeditious conclusions of all negotiations.

HARRIMAN

S40.50 Recovery/6-1148

The British Embassy to the Department of State

AIDE-MÉMOIRE

His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland wish to draw the attention of the United States Government to the problem, raised in Geneva in 1947 during the negotiation of the General Agreement on Tariffs and Trade, in Havana during the discussions of the Charter of the International Trade Organisation, in London in February, 1948, during the Tripartite talks on Germany and more recently in the draft Economic Co-operation Agreement presented to His Majesty's Government by the United States Government, of the granting on a reciprocal basis of most-favoured-nation treatment to goods the produce of certain ex-enemy occupied areas.

2. On previous occasions His Majesty's Government have not felt themselves able to agree with some of the concrete proposals on this subject put forward by the United States Government. In adopting this attitude on those occasions His Majesty's Government have been mindful, in the first place, of their international commitments under such instruments as the Potsdam Agreement and the terms of reference of the Far Eastern Commission and of the difficulties which they

caused both for the United Kingdom and for certain other countries present in Geneva and Havana, secondly of the need for study of the implications of the reciprocal extension of most-favoured-nation treatment both on the economies of the occupied areas concerned and of the United Kingdom and its dependent territories and thirdly of the need for consultation with their fellow members of the Commonwealth. As the United States Government are aware certain members of the Commonwealth are opposed to any extension of most-favoured-nation treatment to ex-enemy occupied areas in advance of the peace treaties. In the case of Japan they point out that the requirement of reciprocity, by which the occupying authority in Japan would so far as practicable undertake to grant most-favoured-nation treatment to goods the produce of countries giving reciprocal treatment to goods the produce of Japan, is one which could only be undertaken by a policy decision of the Far Eastern Commission. It appears to His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland that there are grounds for agreeing with this argument.

3. At the same time, however, His Majesty's Government recognise the importance to the United States, while it bears in large measure the costs of occupation, of being assured of equitable treatment for the exports of the occupied areas, in order to avoid placing an unfair burden on the United States. At Havana the United Kingdom representative stated that it was not so much the substance of the United States proposal on this subject which caused difficulty for the United Kingdom as the time and place of its introduction. At the request of the United States representative this statement was recorded in the minutes of the Conference.

4. In conformity with this general attitude His Majesty's Government is anxious to comply with the United States desire to safeguard United States interests and to ensure that the costs of occupation borne by the United States of America are not unfairly increased by unjustifiable treatment of exports from the occupied areas. They have examined three methods of achieving this aim.

5. The first method is a protocol to be sponsored by the contracting parties of the General Agreement on Tariffs and Trade. This method seems unsatisfactory because, in the first place, Czechoslovakia is a contracting party. It appears that Czechoslovakia would resist the proposal on grounds similar to those advanced by the Czechoslovak delegation at Havana to the proposal put forward there by the United States delegation. While it might be possible to outvote the Czechs on this issue at a meeting of the contracting parties of the General Agreement on Tariffs and Trade, the incident might provide opportunity for mischief-making by Communist elements which it would be desirable to avoid. Secondly the contracting parties are not due to meet until

August, 1948, and it seems desirable to proceed with the matter before then.

6. The second method is the provision included in Article V of the draft Economic Co-operation Agreement presented by the United States Government to His Majesty's Government. A provision of this sort in the various Economic Co-operation Agreements which the United States Government will be concluding with countries which receive aid is, in the opinion of His Majesty's Government, open to the gravest objection from the European point of view. It will provide material for effective propaganda by elements in Europe especially Communist elements, which desire to discredit and defeat the European Recovery Programme. They will be able to claim that as part of the price of aid the members of O.E.E.C. which conclude Agreements have laid their economies open to German and Japanese competition, which before the war, as is well remembered in Europe, and perhaps even more in the overseas possessions of European countries, was backed by innumerable malpractices, and in doing so have betrayed the interests of their countries to their recent enemies.

7. The provision in the draft Economic Co-operation Agreement refers to most-favoured-nation treatment not only for German, but also for Japanese exports. This particular aspect raises especial difficulties for His Majesty's Government. In view of the close co-operation between His Majesty's Government in the United Kingdom of Great Britain and Northern Ireland and the Governments of Australia and New Zealand, in particular, in everything that pertains to policy towards Japan, His Majesty's Government do not feel able to run counter to the strongly-worded views of these Governments on this subject. The fact that the extension of most-favoured-nation treatment to Japanese goods was a condition of receiving aid would, furthermore, cause strong resentment in the United Kingdom and in many British colonies.

8. For these reasons His Majesty's Government have come to the conclusion that a third method, consisting of a protocol providing for the extension on a reciprocal basis of most-favoured-nation treatment to goods the produce of occupied areas of Germany (*not* Japan) by any country wishing to adhere to the protocol, would be preferable. A draft protocol of this sort is attached to this *aide-mémoire*.¹ It would be entirely independent of any other instruments such as the General Agreement on Tariffs and Trade or the Economic Co-operation Agreements.

9. In the opinion of His Majesty's Government such a protocol would have two important advantages over a corresponding provision in the Economic Co-operation Agreements. It would be open to adherence

¹ Not found in Department of State files.

by any country, including U.S.S.R. on its own behalf and as occupying authority in the Soviet Zone of Germany, thereby counteracting many of the legal objections which the Communists might raise against a provision which could only apply to Western Germany and to the O.E.E.C. countries. It would also be open to adherence by Switzerland, Portugal and Latin American countries, which have convertible currency available to spend in German goods and might well prove more valuable customers for Germany than the countries which receive aid. A most-favoured-nation clause would have relatively little significance as between Germany and countries, which, because they lack dollars, can only afford to buy essentials from Germany on programmes designed to ensure that the payments balance. Countries receiving aid fall into this category. The clause would however have real significance for Germany's trade with hard currency countries.

10. The draft protocol attached to this *aide-mémoire* contains various safeguards, which are considered necessary in view of the absence of an exchange rate for Germany, the consequent pricing of German exports by methods which might lead to large and unforeseeable, influxes of German goods into other countries so as to cause serious injury to domestic producers, and the fact that in the case of Germany unlike other major trading countries, the general level of the tariff is not limited by the operation of tariff bindings incorporated in the General Agreement on Tariffs and Trade.

11. In concert with Government of France, with whom His Majesty's Government have consulted, and with the support of other members of O.E.E.C., His Majesty's Government presents this protocol to the United States Government for their consideration as the most effective means of achieving the aims which His Majesty's Government share with the United States Government, namely that the burden of the costs of occupation on United States, and to a lesser extent, French and United Kingdom taxpayers should not be increased by unjustifiable discrimination against exports from Germany and that Germany should have full opportunity to rebuild its economy on sound and healthy lines.

WASHINGTON, 11 June, 1948.

London Embassy Files : Lot 59 F59 : File 850 Marshall Plan : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

SECRET

LONDON, June 11, 1948—noon.

2589. 1) I agree with principle that US cannot acquiesce to Brit Govt proposal to reduce its own dollar expenditures below the total

of ECA allocation plus current dollar earnings during the first year of ERP. (Re Deptel 2116, June 7)¹ Legislative history of ECA including my testimony before Congressional committees was consistent with stated principle. I believe, however, that the above method of stating the principle is to be preferred over the statement in para 2 of your cable, in spite of the fact that the two are in essence identical, because statement above emphasizes determination to prevent undercutting Brit recovery whereas statement in reference cable carries implications that US objects in principle to operation of basic elements of sterling area, and proposes to police individual dollar payments and receipts.

2) If Brit proposal to reduce imports could be implemented to the extent suggested this would result in receipt of more dollars than required to cover projected balance of payments deficit of UK and DOT as a group. ECA would have greatest difficulty in explaining this unless it could be maintained that extremely exceptional circumstances warranted deviation from principles established during Congressional hearing. It follows that only possible source of dollars for sterling area requirements is the reserve, which will have to be drawn down despite declared Brit policy of maintaining reserves intact. I believe this necessity will constitute strongest possible incentive for Brit to exercise strict economy and it will support them in inducing Dominions to do likewise. Brit might even welcome this necessity as strengthening their hand in negotiations with Dominions.

3) I believe that underlying principle which should guide approach to this and other problems is that US assistance, while it should be adequate, should not be so large as to enable any Govt to postpone the necessity of facing up to the fundamental economic problems of the UK itself. These problems include the necessity to reorganize the economy to reduce costs: *a*) through tax reforms to encourage capital formation and *b*) through measures to divert resources to productive uses. These readjustments necessary to the economic stability of the UK after 1952 and, in consequence, to world confidence in sterling and the strength of the sterling area. I recognize that the determination of what is an adequate amount of assistance, and what would be an excessive amount, involves an exceedingly fine judgment. In any event we should avoid giving impression that we are attempting to embarrass existing Govt and bring about its fall.

4) Preceding para should not be interpreted to mean that direct or indirect assistance to sterling area countries to meet reasonable

¹In telegram 2116 to London, June 7, 1948, not printed, the Department of State reported that ECA, State, and Treasury had discussed the approach that was to be made to the dollar requirements of the independent sterling area countries during the first year of the European Recovery Program. Tentatively they had agreed in principle that the "US cannot acquiesce to UK Govt diverting current dollar earnings to meet dollar requirements of independent sterling area countries during first year of ERP." (840.50 Recovery/6-748)

needs on current account in succeeding years of program is thought unwise. Desirability of such assistance will have to be decided on basis of developing economic situation and in light of political and strategic considerations specifically omitted in memo referred to in para one your cable. But such assistance, if deemed advisable, should not be so generous as to permit relaxation of economic recovery efforts on the part of the Brit. I agree with statement under (b) on page 4 Treas memo May 14² that provision of US funds for sterling area demands must depend upon the essentiality of their requirements.

5) In view of the delicacy of UK/Dominion political relationships and sensitivity of Brit to US attitudes toward sterling area the presentation to Brit proposed para 4 reftel should be made tactfully and any documents given Brit or for publication should be drafted with great care to avoid unnecessary offense to Brit pride. At best our attitude represents bitter pill for Brit to swallow. Suggest approach based on first para Sub-Section 2 of Section III of Treas memo May 14. We are particularly conscious of the need for some flexibility in laying down principles and criteria.

DOUGLAS

² Not found in Department of State files.

London Embassy Files : Lot 59 F59 : File 850 Marshall Plan : Telegram

The Chief of the Economic Cooperation Administration Mission in the United Kingdom (Finletter) to the United States Special Representative in Europe (Harriman)

CONFIDENTIAL

LONDON, June 15, 1948—7 p. m.

285. To Harriman from Finletter. Had conversation today with Cripps in which he expressed the following views. He has two main worries about the plan at the moment.

1. He said that the UK was short of manpower to handle the administration of the plan. He said the UK was better off than many of the recipient countries in this regard, but even they would be hard put to find qualified personnel. This was in effect a criticism of the requests for detailed information which are being made on the British Government.

2. He was not satisfied with the position taken by the US that the recipient countries should themselves make the division of overall dollars available for the first year of the plan. He made the argument, which is becoming standard here, that this would put too heavy a strain on OEEC and might break it. I replied that I understood that US policy was to have the plan operated through joint collective effort of the recipient nations rather than by having the US determine who

should get what and how much. Cripps recognized this position and did not put up much resistance against it.

We then turned to the problem of the loan-grant ratios. He insists that it is impossible for the UK to make up its mind how much to ask for in the first year or how much to settle for in the first year with the other European nations without first knowing the division between grants and loans. His argument was something like this. The UK has a definite policy as to what it will accept on loans and what it will accept on grant, the grant and loan division being, of course, roughly between consumers items and capital items. Given this policy of the UK, which incidentally is not followed by all countries, the UK would be in a position, if the presently proposed US procedure is carried out, of being awarded an amount on loans which might be beyond the amount which the UK felt it could properly accept on a loan basis. The effect of this, he pointed out, would be to compel the UK to reject part of the loan and to give to it vis-à-vis the other European countries a lesser share of the goods to be received through the ECA program. This, of course, would discriminate against the UK in favor of those countries which did not follow the UK policy of accepting only certain types of goods with credit financing. He was very emphatic about this.

Incidentally, he said it was his understanding that a recipient country would have the right to reject all or any part of the sums offered by the US on loan account. Don Bliss, who was with me, and I said that that was not our understanding. He expressed some surprise and said this question would have to be talked out, because unless his view was accepted it would mean a fourfold loss of aid to the UK on account of her scrupulousness with regard to the acceptance of credit obligations.

I then asked him what he thought should be done. He said his number one position was that for the first year of ECA the US should fix the amounts to go to each country as well as the proportions of loans and grants to go to each country, with the understanding that this would be for one year only and that for the later years the recipient countries would be required to make the division of the total amounts between themselves by their own action. I said that I did not think that this would be in accordance with your and Hoffman's views. Cripps said his second choice was that the recipient countries should be required to make the division among themselves, but that they should know at the time that they made this division what the allocation between loans and grants for each country would be, such latter division to be made by decision of US Government. He said that this also would be quite a strain on OEEC, but definitely better than the procedure presently contemplated as he understood it.

FINLETTER

Editorial Note

On June 19, 1948, the Department of State cabled revised texts of its master Economic Cooperation Agreement to its missions in CEEC countries for transmission to the respective governments. The new text was expected to meet the objections that had been made to the previous text. In a circular telegram of June 14, the Department had advised its representatives as to appropriate procedures for preparing signature copies which were to be signed in the foreign capitals concerned.

S40.50 Recovery/6-2148: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, June 21, 1948—7 p. m.

3289. Because of the critical debate on Germany (which lasted almost two weeks) on the outcome of which the government's very existence depended, political leaders within and without the government had little time to devote to the important bilateral ERP agreement which must be signed prior to July 3. Since last Thursday, however, serious attention has been given to our original bilateral draft by political leaders of the governmental parties, as well as by others whose support will be needed in the Assembly when the agreement is voted on. In the past three days, in addition to Bidault and Paul Reynaud (my 3268, June 19, and Toeca 165, June 20),¹ I have been approached by other well-disposed and friendly political leaders representing most shades of opinion (except Communists and Gaullists), who all expressed the "gravest concern" over the text of the original draft and have categorically stated that it would be "suicide" for any French Government to sign it. In particular, they take exception to certain clauses which they say would mean the abandonment of French sovereignty and which would serve not only to strengthen De Gaulle,² but even more important would, in the minds of the French people, "completely substantiate the charges which the powerful Communist propaganda machine has been driving into the minds of the French people for a year to the effect that ERP is simply a device of American economic imperialism and is designed to make of France a vassal state". (This would have disastrous effect on Socialists.)

The French press has now gotten wind of the original draft and even papers which are friendly to the US are taking the line that "it is time to let our American friends know that as precious as is their aid, and as much as we appreciate it, there are conditions attached (in the

¹ Neither printed.

² Gen. Charles de Gaulle, head of the provisional French government 1944-46.

original draft) which no free country could accept". In particular, the press takes strong exception to the most-favored nation clause as it applies to Germany and Japan (which is interpreted as a measure to give priority to the rehabilitation of aggressor nations); to the concept that the International Monetary Fund, "which is practically in American hands", will have the right to fix the rates of exchange of European countries; to the clause providing that differences between American nationals and the French Government shall be referred to the International Court at The Hague (the press cries, "in other words, French tribunals are declared incompetent for cases where they have jurisdiction"); and the clause relating to the fact that in the case of certain "rare products", American nationals will have the same rights of investment, prospecting, and exploitation as French nationals.

While I have not yet seen the text of the revised draft contained in Depcirtel June 19, 9 p. m. (final sections of which are just being received), I report the foregoing because of my very real concern over this situation. Although the present government is more friendly and well disposed toward US than any French Government since the liberation, I do not believe it would be willing to risk going before the Assembly to defend the bilateral agreement in the terms originally proposed by US, since it believes that it is a foregone conclusion that it would suffer a crushing defeat with all the political implications, internal and international, that a defeat on such an issue would imply.

CAFFERY

London Embassy Files : Lot 59 F59 : File 850 Marshall Plan : Telegram

The United States Special Representative in Europe (Harriman) to the Chief of the Economic Cooperation Administration Mission in the United Kingdom (Finletter)

SECRET

PARIS, June 24, 1948—9 p. m.

580. Sent Dept to ECA 187 rptd London 580 for Finletter.

1. Hall Patch, speaking on behalf of U.K., has presented to U.S. view that it is impossible for U.K. formulate requirements program or commit itself on payment arrangements with other participating countries without first knowing loan grant ratio for U.K. Hall Patch stressed U.K. scrupulousness with regard to acceptance of credit obligations and stated it was his understanding recipient country would have right to reject all or any part of sums offered by U.S. on loan account. Finletter told me Cripps had raised same question with him.

2. We have stated ECA could not permit individual countries to exercise unilateral option on acceptance of loan part of aid while maintaining right to receive grants in amount originally coupled with loan. On proposal ECA should fix loan grant ratio in advance, I recom

mend that Finletter be given tentative loan grant figures for transmittal to Cripps verbally and mission chiefs to other countries that may inquire for planning purposes, to show general order of magnitude. It would be clearly understood, however, that ECA cannot commit itself in advance to refraining from change in loan grant ratio over period for which allocations of total aid to respective countries are made. Reason is that revision of amount of total allocations themselves will be necessary in light of progress made on problem of intra-European payments and in light of amount and location of offshore procurement, and loan grant ratio will be affected by same factors.

3. Would appreciate further information current Washington thinking on loan grant ratio problem. Particularly request (rpt London for Finletter) present status discussions with British above subject with special reference agreed amount of loans for first and second quarters ECA year. Assume from Ecato 1073¹ there were no authorizations for loan type assistance for first quarter ending June 30. Has U.K. indicated willingness to accept less than \$100,000,000 in loans for first quarter?

Copy for Treasury.

HARRIMAN

¹ Not found in Department of State files.

840.50 Recovery/6-2648: Telegram

The United States Special Representative in Europe (Harriman) to the Secretary of State

CONFIDENTIAL US URGENT
 NIACT

PARIS. [June 26, 1948.]
 Received June 26, 1948—8:02 p. m.

Toeca 203. Personal for Marshall and Hoffman. As follow-up my Toeca 193,¹ below are points considered desirable here to counter European public misconceptions to include in statement to be issued when bilateral agreements are signed, and for your consideration in future statements.

1. With signing of agreements, task of making ERP successful shifts to Europe. Agreements permit America to add the critical 5% to Europe's resources, but therefore follows that the 95% is Europe's

¹ June 25: it stated Harriman's view that the statement to be issued at the signing of bilateral agreements would be received "only indifferently" and would probably be ineffective. He asked if it were too late to revise it "to sound a ringing note", since the statement gave a "golden opportunity to clarify American motives" and to "alleviate fears and antagonisms created in important participating countries through distortion and misconceptions in press . . . about contents of bilateral agreements and US objectives."

job. Accomplishment of ERP possible only if Europe increases production and productivity of farms, management and labor.

2. Nothing in agreements incompatible with national sovereignty of participators. On the contrary, agreements simply spell out a partnership program making joint European-American teamwork feasible for common objective.

3. No imposition on participators of American economic systems, much less American domination. Instead, agreements contain provisions contributing to freer trade throughout Europe and with rest of world, helping to establish same broad expanding trade area in Europe which United States has found so productive within its boundaries, enabling us to hit such high production that we now in position to share our goods with Europe.

4. Far from planning to dump surpluses on Europe, greatest part of ERP goods are those in short supply and are sent at real sacrifice to our economy and our people.

5. Terminal point at end of four years, by which time participating nations expected to be self-supporting, free from need of unusual outside assistance and economically independent. And we on our part then want to go home about our business.

6. America's objectives are the same as those of European participators. We contributing aid needed to permit them to reestablish sound economies, including essential elements of finance, production and trade so that their free institutions, fortified by healthy economic base, can withstand all challenge. With Europe's democratic institutions secured our own are thereby strengthened.

HARRIMAN

840.50 Recovery/6-2648

*Memorandum by the Secretary of State to President Truman*¹

WASHINGTON, June 26, 1948.

Under the Economic Cooperation Act of 1948, the responsibility for negotiating bilateral agreements with the participating countries rests upon the Secretary of State in consultation with the Administrator. At the present time the negotiation of the agreements has been virtually completed except for a deadlock with the U.K. concerning the establishment of most-favored-nation treatment for Japan in a note which would accompany the bilateral agreement.

The Department of the Army has consistently stressed the importance of obtaining most-favored-nation treatment for the occupied

¹ The source text bears the notation: "This was taken by Mr. Thorp personally to the White House."

areas for many months. The Department of State endeavored to obtain its inclusion in the General Agreement on Tariffs and Trade negotiated at Geneva but was unsuccessful. It has stood firmly for such provision in the present negotiation. All countries have agreed to the extension of most-favored-nation treatment to Germany, but the British, supported chiefly by the French and Chinese, have been adamant concerning Japan. They base their case primarily upon a firm Commonwealth commitment, stating that their steps towards Western Union require them to be particularly careful of their commitments to the Dominions.

Ambassador Douglas, after a prolonged conference with Bevin and Cripps, has advised strongly that the point should not be pressed further by the United States.²

There is nothing in the record concerning the ECA before Congress regarding this matter. However, Secretary Royall feels he has a commitment to certain committees of Congress arising from testimony concerning occupied areas.

Mr. Hoffman feels strongly that the economic recovery program should not be jeopardized by insistence in connection with a Far Eastern problem.

It is recommended that the State Department in its negotiations on the bilaterals should: (1) include provisions for most-favored-nation treatment for Germany; (2) include, with as many countries as will do so, provisions for most-favored-nation treatment for Japan; and (3) with respect to the United Kingdom, obtain their agreement to negotiate promptly apart from the bilateral on this matter.³

² A memorandum of telephone conversation between Ambassador Douglas in London and Assistant Secretary Thorp, not printed, amplifies the British reasoning. Ambassador Douglas noted, however, that "the British were prepared to assure him that if the bilateral has been approved, they would agree to negotiate promptly, bringing the Dominions into the picture, seeking to find some solution to the problem of Japanese trade." (840.50 Recovery/6-2548)

The Department in telegram 2426 to the United Kingdom, not printed, June 26, 1948, adopted Douglas' recommendation, adding: "This is based on understanding you have firm commitment that as soon as possible but quite outside recovery program context discussions concerning Japanese trade will be undertaken." (840.50 Recovery/6-2648)

³ The file copy bears the notation: "Approved Harry S. Truman". In a letter to Secretary of the Army Royall, not printed, Assistant Secretary Thorp discussed his meeting with President Truman and noted that "I outlined the problem in detail, and presented your position both in terms of substance and of your strong feelings in the matter. However, the President reached the conclusion that the ERP time schedule must be met, and we could not take the final step of threatening to withhold assistance unless they conceded the issue. He therefore approved." In his letter, Assistant Secretary Thorp also noted: "With respect to the last point in the memorandum, Amb. Douglas has assured me that he has a firm commitment from Messrs. Bevin and Cripps that the British Government will undertake to negotiate with us as soon as possible, outside the context of the ERP, the problem of Japanese trade. I wish to reiterate that both here and in London we have made our best efforts to obtain agreement on this matter." (840.50 Recovery/6-2648)

Current Economic Developments, Lot 70D467

Current Economic Developments

[Extract]

SECRET

[WASHINGTON,] June 28, 1948.

No. 157

The first of the bilateral agreements with the US for economic assistance were signed this week, with Ireland being the first and Italy the second country to complete arrangements. Under the provisions of the Foreign Assistance Act all participating countries must complete bilateral agreements by July 3 or assistance will be suspended until agreements have been completed. It appears now that all of the countries that need to do so will have agreements in order by that date. The Swedes are not pushing ratification particularly, inasmuch as they are not asking for a loan in the next quarter, but the agreement is expected to be signed there shortly also. Luxembourg is having some uncertainty as to how to proceed because of the political situation and reluctance to reconvene Parliament. Belgium doesn't seem concerned with the time-table and it may be this agreement will not be signed as soon as some of the others. It is probable that Switzerland and Portugal (the two countries not needing actual financial help from the US but which are essential cogs in the ERP concept) will not sign agreements but merely exchange notes with the US, in which they accept the general undertakings and give us the rights of consultation and information.

The final draft of the agreements, which are quite similar for all European participants, are a considerable improvement, from their viewpoint, over the original US drafts. Multilateral negotiations were carried on in Washington with the UK, France, Denmark and Sweden. Ironing out the problems posed by these countries in a large measure resolved the complaints of the other states.

Most of the undertakings are specifically required in the Aid legislation, but the wording has been recast and implications eliminated of infringement on sovereignty—a point on which all participants were exceedingly touchy. The main changes from the original draft concerned most-favored-nation treatment, exchange rates, use of local currency, arbitration and termination provisions. The article on ex-

change rates was finally omitted leaving this to be dealt with under the general consultation clause; the arbitration clause was made reciprocal to the extent legally possible and a special reciprocal termination provision was added to take account of the possibility of a change in the basic assumptions underlying the agreement.

Most-Favored-Nation Treatment. While the legislation did not require that participants give most-favored-nation treatment to areas occupied by US forces, our position has been that these areas represent an economic burden on the US and, if they are to become self-sufficient and our burden reduced, their exports must be developed. Therefore it is to our interest that unwarranted discrimination against such exports should be eliminated insofar as possible. We felt that discrimination against these areas—Germany, Japan, Trieste and Southern Korea, represented, in a sense, discrimination against the US.

The UK took violent exception to this, even though we proposed that it should not be included in the bilateral but should be stated in an exchange of notes. We further pointed out that, since most-favored-nation treatment would be applied in accordance with the exceptions recognized by the General Agreement on Tariffs and Trade, and since the UK is in balance-of-payments difficulties and is likely to continue so for several years, the British Government would be relatively free during this period to discriminate against dollar exports from Japan as well as other occupied areas. The UK, however, had apparently made a commitment to the Dominions that it would not take any separate action with regard to trade with Japan. The Government had also made commitments that it would not take any abrupt action which might disrupt the British textile industry. These two factors combined to make the most-favored-nation question of such political importance in the UK that the Cabinet could not accept an undertaking with regard to Japan and Korea. There will be an exchange giving most-favored-nation treatment to western Germany subject to GATT exceptions. France and China objected also and finally we reluctantly agreed to omit Japan and Southern Korea from the exchange of notes with those countries.

In view of the assurances we had given all countries that the concessions granted to some would be offered to all, our Missions were authorized to omit Japan and Southern Korea from the notes but were instructed to make every effort to obtain agreement with the Governments to include these areas. The Irish and Italians included Japan and Korea in their note exchanges. The notes point out that it is recognized that the absence of a uniform rate of exchange for the currency of the areas of western Germany, Japan or Southern Korea may have the effect of indirectly subsidizing the exports of such areas. So long as such a condition exists, and if consultation with the US

fails to reach an agreed solution, it is understood that it would not be inconsistent for the participating country to levy a countervailing duty on imports of such goods equivalent to the estimated amount of such subsidization if it is threatening material injury to an established domestic industry or materially retards the establishment of a domestic industry.

Bilateral Undertakings. The first article is a US undertaking to furnish assistance within the terms set by Congress. Aid is subject to US approval of all assistance and to our right to terminate it at any time in accordance with the Act. The participating country undertakes generally to exert sustained efforts to accomplish the aims of the recovery program. There is also an undertaking on the part of the participant, that in cases where supplies are procured outside the US with ECA funds, the state will cooperate with any arrangements the US may make to insure the use of a reasonable proportion of the dollar proceeds for private trade and financial transactions with the US.

The second article contains the general undertakings which are closely parallel to the mutual pledges contained in the report of the CEEC issued last September and in the Paris convention of April. These undertakings include agreement by the participant to make efficient and practical use of all its resources, including aid made available under the recovery program; to mobilize assets in the US belonging to the nationals of the participating country; to promote production; to take the necessary measures to establish financial stability; and to further the increase of trade. There are additional undertakings to cooperate in arrangements to make full use of the manpower available in Europe and to take action with respect to restrictive business practices, such as cartels, which would have the effect of interfering with the achievement of the recovery program.

Another article provides for consultation between the US and the participating government which is necessary in order that the US may, under the Act, guarantee the convertibility into dollars of new private American investments in projects in the participating country approved by that government.

Still another undertaking is made by the participating country providing that a special account will be set up to which there will be credited the local currency counterpart equivalent to the dollar cost of US grants. These local currency funds will be used for administrative expenses of the US arising under the program in the country concerned, for internal cost of transportation of relief packages, and for other purposes agreed between the two governments, including development of productive capacity of the participating country, exploration and development of production of materials of which the

US is or may be deficient, the retirement of the national debt and for other non-inflationary purposes. The participating countries agree to work out with the US arrangements whereby we can obtain increased quantities of materials needed because of deficiencies or potential deficiencies in US resources.

There is also an agreement to cooperate in facilitating American travel to the country concerned and an undertaking to negotiate subsequent agreements regarding free entry of relief supplies, including private relief packages.

Under another article the participating countries agree to furnish the US Government full information necessary for planning and carrying out the recovery program. In addition, the two governments agree to consult at the request of either one regarding any matters arising out of the agreement. Recognition is given by the participating country of the necessity for full publicity for the program and assistance furnished by the US. Provision is made for a special mission in the participating country to carry out US responsibilities under the agreement, including observation and review of the program and makes further provisions for appropriate status of the Joint Congressional Committee on Foreign Economic Cooperation and its staff.

Arbitration of claims arising as a consequence of governmental measures may be presented either before the International Court of Justice or a mutually agreed arbitral tribunal. The undertaking is reciprocal in the cases of countries already submitted to the jurisdiction of the Court and in other cases—such as Italy—the undertaking will be reciprocal when it becomes a member of the Court. Submission of claims will be made only when the remedies available in the established court within the respective countries have been exhausted.

The agreements remain in force until June 30, 1953, a year after termination of the projected four-year recovery program. This allows a period after assistance ceases for the completion of the operating matters. There is a further provision that if either government considers that there has been a fundamental change in the basic assumption underlying the agreement—for example, termination of assistance earlier than anticipated—the governments shall consult as to modification or termination of the agreement. If there is no agreement, a six-months' termination notice may be given, with termination subject to limitations. These limitations are that the agreement on scarce materials continues for two years from the notice of termination; the local currency deposits provision remains in effect until agreement has been reached as to the disposition of such deposits; and any subsidiary agreements will be governed by their own terms.

Editorial Note

Bilateral agreements for economic cooperation under Public Law 472, 80th Congress, were concluded as follows:

Austria: signed at Vienna, July 2, 1948; entered into force July 2; 62 Stat. (pt. 2) 2137 and Department of State, Treaties and Other International Agreements Series (TIAS) No. 1780.

Belgium: signed at Brussels, July 2, 1948; entered into force July 29; 62 Stat. (pt. 2) 2173 and TIAS 1781.

Denmark: signed at Copenhagen, June 29, 1948; entered into force July 2; 62 Stat. (pt. 2) 2199 and TIAS 1782.

France: signed at Paris, June 28, 1948; entered into force July 10; 62 Stat. (pt. 2) 2223 and TIAS 1783.

French Zone of Occupation of Germany: signed at Paris, July 9, 1948; entered into force July 9; 62 Stat. (pt. 2) 2251 and TIAS 1784.

Greece: signed at Athens, July 2, 1948; entered into force July 3; 62 Stat. (pt. 2) 2293 and TIAS 1786.

Iceland: signed at Reykjavik, July 3, 1948; entered into force July 3; 62 Stat. (pt. 2) 2363 and TIAS 1787.

Ireland: signed at Dublin, June 28, 1948; entered into force July 2; 62 Stat. (pt. 2) 2407 and TIAS 1788.

Italy: signed at Rome, June 28, 1948; entered into force June 28; 62 Stat. (pt. 2) 2421 and TIAS 1789.

Luxembourg: signed at Luxembourg, July 3, 1948; entered into force July 3; 62 Stat. (pt. 2) 2451 and TIAS 1790.

Netherlands: signed at The Hague, July 2, 1948; entered into force July 2; 62 Stat. (pt. 2) 2477 and TIAS 1791.

Norway: signed at Oslo, July 3, 1948; entered into force July 3; 62 Stat. (pt. 2) 2514 and TIAS 1792.

Sweden: signed at Stockholm, July 3, 1948; entered into force July 21; 62 Stat. (pt. 2) 2541 and TIAS 1793.

Turkey: signed at Ankara, July 4, 1948; entered into force July 13; 62 Stat. (pt. 2) 2566 and TIAS 1794.

United Kingdom: signed at London, July 6, 1948; effective July 6; 62 Stat. (pt. 2) 2596 and TIAS 1795.

United States/United Kingdom Occupied Areas in Germany: signed at Berlin, July 14, 1948; entered into force July 14; 62 Stat. (pt. 2) 2279 and TIAS 1785.

For references to amendments to these agreements, see *Treaties in Force: A List of Treaties and Other International Agreements of the United States*, published annually since 1956 by the Department of State.

840.50 Recovery/6-2948 : Telegram

The Ambassador in the Netherlands (Baruch) to the Secretary of State

CONFIDENTIAL

US URGENT

THE HAGUE, June 29, 1948—4 p. m.

NIACT

399. Reference Deptel 285,¹ June 28, 8 p. m. Embassy has made every effort secure Dutch agreement inclusion Japan and southern Korea in exchange notes MFN with Netherlands. Foreign Office advises Colonial Ministry strongly opposed inclusion if excluded from UK and French agreements; matter of great practical significance NEI and they consider dangerous accord such treatment Japan in present circumstances and also wish to avoid further aggravation of feelings with authorities NEI at this time by Netherlands acceptance of such obligation.

Embassy stressed importance Department attaches to inclusion Japan, southern Korea Netherlands note notwithstanding omission UK and French agreements and informed Dutch it could not longer agree omission without reference back to Department. Embassy believes Dutch might accept inclusion Japan and southern Korea under strongest pressure but that it would cause great irritation in light of assurances concessions granted to some would be offered to all and would result considerable loss good will gained. Department's instructions requested.²

BARUCH

¹ In telegram 285 to the Netherlands, June 28, 1948, not printed, the Department urged that every effort be made to include Japan and Southern Korea in an exchange of notes despite their exclusion in the United Kingdom and French agreements. This telegram had been a confirmation of the Department's circular telegram, June 26, 1948, 1 a. m., not printed, which had informed missions in OEEC countries that the Department was reluctantly omitting Japan and Southern Korea in the United Kingdom and French notes, but hoped that other states would not insist on such modifications in their Economic Cooperation Agreements. (840.50 Recovery/6-2848 and /6-2648)

² In telegram 289 to the Hague, June 29, 1948, not printed, the Department authorized the dropping of Japan and Southern Korea from the MFN note "provided that Neth Govt agrees discuss subject in FEC." (840.50 Recovery/6-2948)

London Embassy Files : Lot 59 F59 : File 850 Marshall Plan : Telegram

The United States Special Representative in Europe (Harriman) to the Embassy in the United Kingdom

CONFIDENTIAL

PARIS, July 4, 1948—4 p. m.

613. Sent Department Repto 24, repeated London 613, for Hoffman repeated London for Douglas and Finletter. Douglas, Finletter and I

lunched with Cripps and several members of his staff July 3. Cripps discussed several aspects programming problems. I said I considered our talk informal and pointed out most questions he raised should come through OEEC.

Cripps principal concerns were those already expressed about overstraining OEEC and participating countries governmental personnel with continued series of too detailed programs, interfering with other constructive work on intra-European cooperation. Important specific points made by Cripps were:

(a) Countries should be given dollar figure of loans to be granted them by ECA. I replied ECA prepared to do so per Torep 4.¹ Cripps' statement should be considered as formal request. This info. for UK so suggest it be given Finletter soonest.

(b) Annual allocations once made should be firm, otherwise countries would not know where they stood for internal programming. (5% of total funds might be kept unallocated to cover contingencies). He explained UK shortest program period was six months and despite greatest effort last fall to change program, results of change were just showing now because time lag on contracts, etc. Hence successive drastic changes in annual program at time quarterly programs made up would not be easy.

(c) There should be little or no quarterly programming by OEEC. These should be settled ECA Washington with individual countries conforming to agreed upon annual program.

On Items (b) and (c) I explained ECA's views. Cripps appeared ready to concede with reservation that annual program should be considered basic and quarterly reviews should only deal with unforeseen changes in situation. I told him that was general concept but each quarter's program required real review to keep overall European program flexible and to take account developments and European potentialities. Please comment. I feel it vital that OEEC review program quarterly, but do feel too much detailed quarterly programming will totally bog down OEEC.

(d) Cripps said four year program will be enormous task and no useful program could be completed by mid-November, a deadline British understood has been given by Washington. Cripps felt that OEEC, also struggling with this and next year's annual programs and quarterly programs, would need until end of December to work out program of any validity at all. I told him I would ask Washington decision on target date, but explained it essential we have best four year program possible in time to present next Congress. Inform us latest date four year program wanted from OEEC.

HARRIMAN

¹ Not found in Department of State files.

London Embassy Files : Lot 59 F59
File 850 Marshall Plan : Circular telegram

*The Administrator for Economic Cooperation (Hoffman) to Certain
Diplomatic Offices in Europe*¹

SECRET

WASHINGTON, July 12, 1948—1 a. m.

Sent Paris for Harriman and Bruce. We recently requested the advice of the National Advisory Council as to the amount of assistance which should be extended on a loan basis during the period from April through December, 1948. On July 6 the council took the following action: "The National Advisory Council has reviewed the loan-grant ratios which it recommended for use by the ECA in the first ERP quarter (April-June, 1948) and does not find any basis for changing them for use in the period April-December, 1948. The National Advisory Council advises the ECA, however, that the ratios may have to be revised once the allotments of ECA assistance have been determined for this nine-month period or for the full year."

The following is the background and basic considerations in determining the loan quotas recommended: in its action of April 14, 1948, the Council recommended for each ERP country an appropriate percentage of total assistance to be extended on a loan basis during the first quarter of ERP. This apportionment was substantially adopted by us to achieve a total of loan funds for the first ERP quarter which would not be less than 20% of the total allotments. Subsequently, we and the Export-Import Bank felt that the quarterly basis for determining loan quotas was not practicable. A longer period of time was required to negotiate the programs under loan commitments. It was, therefore, suggested that the council recommend percentages of assistance to be extended in the form of loans for a 12-month period.

Upon investigation, we concluded that it was impossible to provide at this time a tentative estimate of annual allocations. Consequently, we suggested that the Council recommend an appropriate division of assistance between grants and loans for April-December 1948. This would enable the Council to review the situation after the annual programs developed in Paris have been received by US. When the annual allotment of assistance can be estimated with some assurance, this would enable us to set up lines of credit as soon as possible with the participating countries, and, hence, would provide an additional means by which we can oblige countries eligible for loans assistance to draw upon lines of credit in such a way as to assure that the ratio of loans to grants for the full year is in accordance with the desired proportion for each country. We are advising each country accordingly.

In the absence of further information concerning probable allotments, previous ratios have been reviewed in the light of allocations made for the first quarter of the program. The application of the coun-

¹ Sent to offices in 14 CEEC posts.

cil's loan ratios to these figures yield a total in loans of \$758 million for a nine-month period. This application is given in Table A below.

LOAN ASSISTANCE TO PARTICIPANTS ON PROJECTION OF EXISTING LOAN-GRANT RATIOS (APRIL-DECEMBER, 1948)

Based on first quarter allocations:

	<i>First quarter allocation on nine months rate (million dollars):</i>	<i>Percent in Loans:</i>	<i>Amount of Loan (million dollars):</i>
Austria	210	0	0
Belgium-Luxembourg	60	85	50
Denmark	60	25	15
France (inc. Saar)	1125	15	170
Greece	150	0	0
Iceland	3	100	3
Ireland	30	100	30
Italy	495	10	50
Netherlands	315	25	80
Norway	60	50	30
Portugal	0	0	0
Sweden	0	100	0
Switzerland	0	0	0
Turkey	30	100	30
United Kingdom	1200	25	300
Bizone Germany	240	0	0
French Zone-Germany	60	0	0
Total	4038	19	758

If Belgium's total allotment of funds is reduced, it appears logical that the absolute amount of loans to be taken up by France and the United Kingdom in particular would be increased. However, until more definite information is received concerning the actual size of total allotments, departure from the judgment of the Council with respect to the ratio of loan to grant does not appear to be warranted.

The amount of loans to be extended to a given participant has been related to the National Advisory Council staff committee's preliminary judgment as to the general capacity of each country to effect repayment over a long period of time. More thorough studies of this subject are now being made. We particularly request no public release that we expect countries to take up amount of loans apportioned for period.

HOFFMAN

London Embassy Files : Lot 59 F59
File S50 Marshall Plan : Telegram

*The Administrator for Economic Cooperation Administration
(Hoffman) to Certain Diplomatic Offices in Europe*

CONFIDENTIAL

WASHINGTON, July 13, 1948—5 p. m.

Ecato 60. Following are results top-level discussions here for problems raised by Repto 54¹ and Repto 24:²

¹ Not found in Department of State files.

² See telegram 613 from Paris, July 4, 1948, p. 464.

1. You should miss no opportunities to make clear to OEEC and participating countries in most unmistakeable terms that we are increasingly dissatisfied with their conception of the nature and timing of ERP programs as revealed in general by recent cables but especially by new delay in fiscal 49 program to middle September and Cripp's position that four year program be moved back to end of year. New OEEC time schedule means that for an indefinite period we will continue to be in the indefensible position of programming after the fact. In effect we have already done this for first six months of ERP. Inevitable result is that programming decisions have little or no influence on actual course of events during period they are supposed to cover, and ECA will be subjected to serious and justifiable criticism from Congress and public generally. Congress will not and should not approve an appropriation for next year which is unsubstantiated (*a*) by effective, ECA approved program of expenditure of fiscal 49 appropriations; (*b*) by ECA-approved forecast of how we propose spend new appropriation for fiscal 50 and (*c*) by estimate of extent to which both annual programs implement agreed four year recovery goals. This means that we must have the annual programs and four year program from OEEC in time to permit adequate screening before end current calendar year. Even this time schedule is unsatisfactory as we will have to justify fiscal 50 program before Budget Bureau during October, but we realize it is impossible for OEEC to do complete second annual program by then.

2. We are not only concerned by our lack of timely information on ECA-financed part of program but equally so by similar lack of information on total program. We will not continue practice of allotting funds in the dark beyond current quarter. It is clear to us that the Europeans must decide either that they need no dollar assistance from the US and consequently no programs or else agree to an orderly schedule of programs which will come to us in sufficient time to permit ECA to discharge its statutory obligations and carry out Congressional intent. In order enable OEEC to concentrate on both annual and four year programs in limited time available we are willing to relieve OEEC of burden of preparing quarterly programs at least for the next two quarters (fourth quarter 48 and first quarter 49). If we assume quarterly job ourselves, however it emphasizes even more strongly necessity of our receiving annual program fiscal 49 by September 1 at latest. All we will need from OEEC each quarter will be reconciled balance of payments tables for both Western Hemisphere and IntraEuropean trade and payments. Also, if OEEC suspends its quarterly programming we will require that any participating country desiring to deviate substantially or substantively from

prorated approved annual allotment or rate of importation of important commodities during a given quarter must itself assume responsibility for getting prior OEEC clearance.

3. Hoffman and Bissell plan take strong position as outlined above in Paris.

Sent Paris Torep 129; rptd London Ecato 60.

HOFFMAN

840.50 Recovery/7-1548

Memorandum of Conversation, by the Secretary of State

CONFIDENTIAL

WASHINGTON, July 15, 1948.

Participants: M. A. Raymond-Laurent, M.R.P.,
Vice Chairman of the Committee on Foreign Affairs,
French National Assembly;
The Secretary
T. C. Achilles—WE.

M. Raymond-Laurent called with a letter of introduction from M. Bidault. In a general discussion he stated that the French people realized that ERP must mean recovery rather than relief and that in order to achieve it, they must work harder, make substantial sacrifices and cooperate with other countries to an unprecedented extent. He believed that both the economic and political situations in France had greatly improved in the last six months, that the Schuman Government would survive the rest of this year, and that, if it did, de Gaulle's chances of coming to power at any time would have been greatly lessened.

I observed that since coming to the State Department I had been faced, with respect to products for civilian consumption, by the same problem I had had at the War Department with respect to military supplies, namely allocation of a limited amount of material between a large number of claimants. The Chinese had never forgiven me for my part in the decision to fight the war in Europe first and now blamed me for pushing recovery in Europe first. In Latin America most of the leaders have come into power since 1939 and did not realize the extent to which their countries had depended on Europe as a source of supply before the war. I said I was endeavoring to convince both the Latin Americans and the Chinese that European recovery was essential to their own well-being, whereas sums spent on them would be ineffective in the absence of European recovery. I expressed the hope that the French and other Western European Governments could give us a hand in convincing the Latin Americans in particular of the truth of this position.

840.50 Recovery/7-1248: Telegram

The Secretary of State to the Legation in Switzerland

CONFIDENTIAL

WASHINGTON, July 19, 1948.

1001. From Dept and ECA. Reur 848, July 2, rptd Paris for Harri-man as 47, and urtel 895, July 12, sent Paris as Torep 1.¹ Swiss reluctance to report through OEEC import requirements from US inconsistent with basic concept of ERP. Since first enunciation in Sec State's Harvard address, ERP has been based on premise of joint European effort involving maximum mutual aid and greatest use of European resources, with US aid as supplement for relatively brief period. Same concept underlies CEEC Report of 1947 and Convention signed Apr, to both of which Swiss were parties.

Traditional and strongly held policy of Swiss neutrality is recognized. However US makes distinction between political neutrality and economic collaboration with OEEC countries. Greatest possible Swiss participation in ERP is desirable not only because of contribution Swiss can make to recovery but also to further larger and longer term objective of closer economic integration of Western Europe. Swiss participation in ERP activities to date, including membership on executive comm of OEEC, and stated intention to take part in intra-European activities OEEC, evidence continued adherence to purposes of a joint recovery program with which their reluctance to channel US requirements through OEEC appears to us to be inconsistent. In our view distinction drawn by Swiss between "intra-European" and other aspects of program is a false one since all aspects ERP are obviously closely interrelated. Supplies from US to France for example have direct bearing on problems of intra-European trade. Whole concept of program will be undermined if individual countries begin "participating" in only those aspects they regard as having most direct bearing on own economies.

US aid includes not only financial assistance but also a preference for participating countries in allocation and licensing of exports of scarce items. Such aid is stated in Sec. 115(b) of EC Act to result from multilateral pledges and joint recovery programming of participating countries. We doubt that Swiss really wish to force us into a position of having to determine whether Swiss requirements should be treated differently from those of other ERP countries or, in the extreme, to determine whether insistence on independent action constitutes such a departure from idea of a joint program as to disqualify Swiss as participating country under Sec 103(a) of EC Act with attendant loss of licensing preference under Sec 112(g).

¹ Neither printed.

Above is our reaction to Swiss position. We believe however that principal approach to Swiss should come from other ERP countries presumably through OEEC. Accordingly suggest Harriman, if he agrees, discuss matter informally with OEEC officials and advise Bern, Dept and ECA as to course of action he believes most effective to change Swiss viewpoint.

Legation is authorized, however, if Swiss raise subject again, to express substance of above. [State and ECA.]

MARSHALL

840.50 Recovery/7-1748 : Telegram

The Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, July 22, 1948—1 p. m.

2771. For Harriman from Lovett. Reur message (unno. July 17 noon) ¹ on the necessity of higher caliber personnel being assigned to OEEC: we are in complete agreement on the necessity of the participating countries mobilizing their best manpower for OEEC. The necessity of an all-out effort to build OEEC into strong effective organization has been urged frequently on reps of participating countries and we expressly and strongly urged that Exec Comm be composed of ministers (see Dept's 1197 Apr 6 to London, rptd Paris as 1113; 1324 Apr 14 to London, ² rptd Paris as 1226; also Dept's 1146 Apr 8 to Paris—see para 9, rptd London as 1224). I have, however, a few comments as to method of again bringing this matter to attention of participating countries which you may wish to consider.

I fully agree that it would be useful to have a prior discussion with Spaak. He has consistently maintained that Europeans would tend to coast unless US maintained constant pressure upon them for effective cooperation, and he will presumably be in agreement with you and anxious himself to prod his colleagues. In order to obtain his considered views, you may wish to give him advance notice of what you plan to discuss with him.

I also agree with your suggestion that Douglas and Finletter see Bevin and Cripps, particularly since principal opposition to establishment of a strong organization has consistently come from British.

There may well be some serious resistance to moving in the direction we desire. I believe this resistance and possible resentment on the part of participating countries might be minimized if, during your and Hoffman's talks with ministers of ERP countries in Paris, reference

¹ In his unnumbered top secret cable of July 17, 1948, not printed, Special Representative Harriman expressed concern at the caliber of men originally assigned by Europe to OEEC work and urged that its most highly qualified personnel be put on the job if success was to be achieved (840.50 Recovery/7-1748).

² Telegram 1324 to London, not printed.

is made to past discussions among participating countries themselves as to nature of organization. I understand that at time OEEC organization discussed in Paris this spring it was envisaged by participating countries that Council and Exec Comm should meet as required at two levels—at ministerial level for decisions on basic policy problems and at official level for action within those decisions. It might be desirable to refer to this earlier recognition by participating countries of need for meetings of ministers and to urge that fundamental problems confronting participating countries now require consideration at this higher level. This approach would of course be most effective if we could indicate the type of basic policy problems we have in mind as requiring immediate consideration.

Meetings at two levels should go part way toward solving the dilemma posed by the necessity for the Exec Comm to handle day-to-day working problems of the organization and at the same time be of sufficiently high caliber to face up to fundamental issues.

It would seem also that an important step forward lies in strengthening functions of secretariat. Although I share your view that it would be desirable to obtain a man of international standing to direct the work of the secretariat, there is considerable doubt here that such a person could be attracted to position as it has been thus far envisaged by participating countries. I feel it is important therefore, both from the standpoint of relieving the Exec Comm of routine work and of strengthening the secretariat, to urge that increased responsibilities be given the latter. [Lovett.]

MARSHALL

103.ECA/7-3148 : Telegram

The United States Special Representative in Europe (Harriman) to the Secretary of State

SECRET

PARIS, July 31, 1948—3 p. m.

Repto 261. Personal for Marshall from Harriman. Personal for Hoffman for Information from Harriman. As result conversation during Hoffman's visit, with representatives of participating countries, both individually and collectively, there has been acceptance of concept that there should be greater ministerial level consideration of OEEC work and potentialities. There is agreement that the Council should meet more frequently and that the Executive Committee and smaller committees on economic-finance Minister level should meet dealing with specific problems as they arise. Important progress has been made in pressing upon Council members that participating countries must make good on pledge of cooperation.

British are more negative in their approach. Certain countries including France, Belgium and Italy, I believe, honestly wish to make something real out of OEEC. I am not sure, however, that when it comes to specific action, we will find that they will readily take the steps necessary to make OEEC as effective as it can be.

I have now come to the conviction that OEEC must be led by a man of international political position as a type of director general, to be responsible for initiation of cooperative measures, presentation of controversial problems to Council, its committees and members and for the implementation of policy decisions taken.

Marjolin is adequate as head of staff and should remain in his present position, but he cannot in any sense bring the governments of participating countries together. I am fearful that unless there is a driving force responsible for the attainment of the fullest cooperation between the participating nations we will find an unsatisfactory record of accomplishment at time when we must appear before Congress for additional appropriations. A committee of country representatives, even at ministerial level, will not, in my opinion, give effective leadership. I find that in discussions each representative is inclined to consider first the interests of his own country and there is no one to initiate or advocate matters requiring top level consideration on a basis of equality with senior government representatives. The technical committees may well do useful work in developing facts but unless these reports are forcefully presented for high level consideration with recommendations for action, little will be accomplished.

From my discussions with Spaak and the new French Ministers, I find them in accord with the selection of a personality as indicated above, whereas Cripps has so far expressed opposition. I intend to press the matter with the French next week and see Spaak in Brussels in the hope of getting them to make definite proposal to Council. Unless something is done, the value of my work and that of my staff will be minimized.

HARRIMAN

840.50 Recovery/8-948 : Telegram

The Ambassador in Sweden (Matthews) to the Secretary of State

SECRET

STOCKHOLM, August 9, 1948—1 p. m.

916. From the point of view of our general policy toward Sweden hope it will be possible for ECA to grant Sweden a moderate third quarter credit as requested (see Toeca 14, July 30 and following).¹ I believe the credit is needed and that its extension will increase

¹ Not printed.

Sweden's interest in ERP which has developed continuously since last December as Sweden's stake in European recovery has loomed larger. However much Undén² may publicly proclaim that ERP is economic and not political the closer Sweden is associated with it the more it will gradually be tied to the west whether the government likes it or not. I consider that in its effect on Sweden there is a marked distinction between granting ERP aid and withholding military materiel.

The foregoing covers the third quarter credit only and we do not wish Sweden to utilize credit to avoid remedial steps in the economic field. My recommendation upon general policy grounds covering future credits will be governed by the situation at the time and by the leverage which we may want to utilize either for ECA purposes or for other reasons.

Failure to extend a credit which Sweden was loath to request until the need made it urgent would I believe, in the light of recent signature and Riksdag approval of the bilateral agreement serve greatly to dampen Swedish interest both governmental and popular in ERP.

I realize of course that the decision to grant a credit or not is one solely for ECA but I believe the Department might want my views from the general policy angle.

Sent Department 916; repeated Paris 237 for Harriman.

MATTHEWS

² Östen Undén, Swedish Minister for Foreign Affairs.

840.50 Recovery/8-648 : Telegram

The Secretary of State to the Legation in Switzerland

CONFIDENTIAL

WASHINGTON, August 11, 1948—7 p. m.

1127. Legtel 1024 Aug 6.¹ Dept is of course cognizant substance talks held between Thorp and Swiss Min Bruggman re ERP Agreement. These were preliminary nature and did not touch upon actual substance of bilateral. We are opinion that successful conclusion exchange of notes between US and Switzerland is dependent upon realization by Swiss Govt that proposed substance notes and those sections Public Law 472 dealing with content of bilateral both in large measure parallel undertakings Swiss agreed, in both CEEC report Sept 1947 and April 1948 convention, to be necessary for success joint recovery program. If Swiss appreciate this approach on part US and consider substance of bilateral in light of participation in European recovery and are actually in earnest in their adherence to OEEC there should be little difficulty in effecting mutually agreeable exchange of notes.

¹ Not printed.

On other hand if Swiss maintain apparent desire to be treated as if they were not full participant in ERP and insist upon special treatment for Switzerland not based upon full cooperation with other participating countries in joint program, possibilities obtaining mutually satisfactory bilateral agreement in form exchange of notes border on remote since we will be negotiating from quite different premises.

So far as we are aware Swiss Legation representatives here have never been authorized discuss substance master bilateral agreement. Although we attempted to impress upon them at all times that agreement must be based on provisions Public Law 472 which envisages joint program they have continuously asked for separate reassurances on various questions and problems which fall outside authority of Administrator as defined in Public Law 472.

Insofar as Dept concerned negotiation mutually satisfactory exchange of notes can proceed soon as Swiss Govt instructs Leg discuss substance those provisions of bilateral based on ECA of 1948 which are applicable to Switzerland and which other participating countries have accepted. You may at your discretion communicate substance above Swiss Govt.

MARSHALL

840.50 Recovery/7-3148: Telegram

The Secretary of State to the United States Political Adviser for Germany (Murphy)

SECRET

WASHINGTON, August 13, 1948.

1445. Personal for Murphy. Concern expressed by Dept re rumored increase coal export price arose from the importance and wide ramifications of such a step. While Dept has no desire to request consultation on operational details, it cannot agree that an increase of 2½ dollars per ton in price German coal and coke exports is an "operational detail" (reurtel 1890 July 31).¹

So long as dollar payment for Bizone coal exports is required any change in coal export price has an immediate effect on the dollar balance of payments positions of virtually all ERP countries and therefore a direct effect on allocations of ECA aid. For example, an immediate increase in German coal export prices would upset the basis on which 3rd quarter ECA allocations to Bizone and other ERP countries were made. While this fact is well known to Harriman, it is also of direct interest to Wash. Dept notes from urtel 1890 that OMGUS proposes to work closely with Harriman and that no action to increase price will be taken without his concurrence. We consider this highly important and should cover direct ECA interest. However,

¹ Not printed.

Dept believes it should be directly informed and consulted before action of such important implications as increase coal export price is taken. Dept's interests not co-extensive with ECA's.

European coal prices are involved in several matters being considered here. In general it is felt that they are too high now and that effective recovery will be impeded if transactions continue to be based upon cost of US coal delivered in Europe. In particular there are discussions re possibility of reduction of Brit export prices and of the pricing of Polish exports in connection with any possible loan to Poland by International Bank. The raising of prices by JEIA, which everyone knows is in effect controlled by US, would be to make any efforts to reduce export prices of other countries much more difficult.

The raising of German coal export prices has an immediate and detrimental effect on countries which are dependent upon imports from Germany, particularly in view of the present large difference between export prices and internal German prices. Any increase in German export prices would unquestionably result in strong representations being made to Dept. Expressions of deep concern have already been made on the basis of current rumors and strong protests were made last year when German export price was raised. Unless a USGovt position has been previously agreed it becomes extremely difficult for USGovt in Wash to deal with representatives of foreign countries who approach us here on Govt level.

The above explains why Dept feels it should be consulted in a matter as important as the increase of coal export prices. Difficulty recognized of defining accurately the line between "operational details" and those matters which involve policy considerations of sufficient importance to require consultation with Dept. The general principle can be stated, however, that where a matter can reasonably be foreseen to have considerable economic repercussions in other countries, any decision should be based upon a full evaluation of such repercussions which would require wide consultation.

MARSHALL

840.50 Recovery/8-2048: Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET

WASHINGTON, August 20, 1948—5 p. m.

3312. For Douglas. Since Hoffman's return from Paris we have had several conversations concerning UK relations to OEEC. Hoffman has expressed grave concern over British attitude and feels they are not entering wholeheartedly into OEEC work. He further believes that unless they exercise real leadership to initiate and push forward

effective measures for economic cooperation among OEEC nations there is good chance ERP will fail.

We have shared Hoffman's concern for some time, while recognizing that British Cabinet may not agree that UK actions lend support to our appraisal of its position. (Re urtel 3625 August 11)¹ We consider that solution may well involve steps on our part affecting whole range of US-UK relations beyond those arising directly from ERP. We shall appreciate your views on the foregoing, also any concrete examples of British failure to act or British unwillingness to cooperate fully toward integration of European economies.

The Secretary would have an opportunity to discuss this subject at Paris next month.² It may be advisable however not to await Paris meeting. We suggest that you and Harriman discuss situation and if you agree call on Bevin jointly and forcefully call his attention to it. Repeated to Harriman, London pls pass to Finletter.

MARSHALL

¹ *Post*, p. 1113.

² Secretary Marshall was planning to go to Paris to attend the meeting of the United Nations General Assembly.

840.50 Recovery/8-2448

*Memorandum by the Chief of the Division of Commercial Policy
(Willoughby)*¹

SECRET

[WASHINGTON,] August 24, 1948.

MEMORANDUM FOR THE FILES

Participants: Mr. Lester B. Pearson, Under Secretary of External Affairs;
Mr. Clifford Clark, Deputy Minister of Finance;
Mr. C. M. Drury, Coordinator of ERP Activities for Canada;
Mr. John D. Deutsch, Director of Economic Relations, Canadian Department of Finance;
Mr. A. D. Skelton, Director General of Economic Research Branch of the Department of Reconstruction and Supply;
Mr. J. Robert Beatty, Chief of Research Division, Bank of Canada; and others
Mr. Arthur Smithies, Mr. Robert Strange, ECA;

¹ This memorandum covers conversations held by United States and Canadian officials in Ottawa on August 16 and 17, 1948, regarding Canadian participation in the European Recovery Program.

Mr. Charles D. Glendinning, Treasury Department;
Mr. Homer S. Fox, Commercial Attaché, American
Embassy, Ottawa;
Mr. Woodbury Willoughby, CP

Mr. Pearson opened the meeting and left early. Mr. Clark and Mr. Drury presided the remainder of the time. Most of the talking on the Canadian side was done by Mr. Skelton and Mr. Deutsch. The latter appeared to be the most influential in determining the Canadian position.

Mr. Smithies was the principal spokesman for the U.S. group.

There was no agenda and, at the suggestion of the Chairman, Mr. Smithies explained that the U.S. group wished to exchange views in regard to conversations to be held in the latter part of September as to Canada's participation in the ERP program in the coming year. He explained that the ECA was obligated to seek maximum participation by other countries and that it would have difficulty in obtaining from Congress adequate funds for offshore purchases unless such participation were forthcoming. Reference was made to the improved position of Canadian reserves and it was pointed out that the U.S. could not use ERP funds to finance the building up of large reserves or the importation of non-essentials into Canada through relaxation of import controls. Mr. Smithies pointed out that in determining the allocation of offshore purchases among supplying countries the ECA would necessarily take into account the amount of contribution they make to ERP. The attached memorandum on *Canadian Relations with ECA*, prepared August 13 by Mr. Smithies and agreed to by State Department representatives prior to our departure for Ottawa, explains in detail the position taken by the U.S. group.

The Canadians reiterated statements made in previous discussions of the subject, that is, that Canada has already done her share toward aiding Europe, and probably more than her share. Emphasis was placed on the fact that her reserves had been drained to a dangerous point as a result of Canada's program of a billion dollars offshore purchases. (This use of the term "offshore purchases" was not made clear.) It was stated that, nevertheless, Canada wishes to continue in the future to do all she can to promote European recovery.

As had been indicated to us previously, the Canadians were unwilling to discuss the amount of contribution that Canada might make in the coming year. They will review the situation in the light of definitive crop estimates before talking to us in September. They observed that there were several non-recurring items, including one of 30 million and the 150 million dollar loan by U.S. insurance companies, which contributed to the increase in reserves. They also said that imports were reduced because merchants were using up stocks

accumulated in 1947 in anticipation of import restrictions. The view was expressed that the 50 million dollars Canadian aid made in 1948 may prove more than warranted.

The Canadians still agree that their over-all surplus on current account represents their ability to contribute. They admit that there is "some relationship" between U.S. offshore purchases and Canada's ability to contribute to ERP, but are strongly opposed to any attempt to develop a "formula".

[Here follows material relating to Canadian internal affairs.]

In summing up the U.S. views, at the end of the meetings, it was stated that we are not trying to tell the Canadians how much they can contribute. ECA funds are inadequate and we want Canada to contribute as much as she can. We know that the Canadian Government wants to do so. We want to do what we can to lessen uncertainties and make it possible for the Canadian Government to make the maximum contribution. ECA has in mind the possibility of guaranteeing in advance a minimum of offshore purchases which will be made in Canada. Before the September meeting it will explore this possibility and try to clarify other problems such as the "surplus commodity" provisions of the Act.

General Comments and Conclusions

Canadian officials evidently had been forewarned that the ECA would try to extract a commitment from Canada to contribute to ERP in accordance with some formula which would lead to a figure far higher than they thought reasonable. I understand that Mr. Smithies had suggested that Canada might match U.S. offshore purchases in Canada dollar for dollar. At the beginning of our visit the Canadians were, accordingly, on the defensive and somewhat negative.

It became clear that any effort to seek agreement during our visit, even on general principles as to how to arrive at a reasonable relationship between U.S. offshore purchases and Canadian aid, would be fruitless and merely arouse antagonism. For this reason we decided to conclude on the note that we desire to do anything practicable we can to facilitate the maximum commitment from Canada when they are in a position to appraise their capacity for aid in the coming year.

Although the Canadians did not say so in open meeting, it was made abundantly clear in private conversations that the extent of Canadian aid will not be measured by ability to aid but will be determined by political expediency. It must be borne in mind that while we have a serious political problem in presenting the ECA appropriation bill the Canadians have one which may be even greater in that the Liberal Party, which has suffered important set-backs, faces an election and must have the support of Quebec—a province strongly

opposed to "internationalism", aid to Britain and controls of any kind.

At best, negotiations with the Canadians in September are going to be difficult if we are to get a large contribution. They should be conducted by one of the top ECA officials, preferably one who is trusted by the Canadians. Ty Wood seems much the best available.

The State Department should follow closely and participate in the preparation for, and conduct of, the negotiations. Canadian aid cannot be divorced from other aspects of our relations with Canada—military, commercial and otherwise. Political factors may be the determining ones. For example, it would be contrary to our interests to urge any action which would jeopardize the success of the Liberal Party next year. Any other party or combination of parties would follow policies less favorable to the United States.

[Enclosure]

AUGUST 13, 1948.

CANADIAN RELATIONS WITH ECA

General Approach

From the outset of ECA it has been understood that discussions would take place on possible Canadian participation in ERP and on the relation of aid extended by Canada to Europe to offshore purchases made in Canada by ECA.

ECA is following the general policy that the purpose of offshore purchases is to increase or maintain the flow of goods to Europe and that any benefits to the countries in which the purchases are made are incidental. However urgent the need for dollars in any non-ERP country, we do not feel that we can make purchases in that country unless they can be justified in terms of European recovery. Thus, if goods will move to Europe without dollars, they should not be made the subject of offshore purchases.

In the case of Canada, we embarked on offshore purchases without any express consideration whether dollars were required to make the goods move. We hope to pursue precisely the opposite policy in the case of the Sterling Area countries and Argentina. There have been practical reasons for those differences, but now consistency demands that we open discussions with Canada. Furthermore, ECA has a specific mandate to encourage other Western Hemisphere countries to extend aid to Europe.

Since Canada insists on payment in dollars for exports sold for cash, it follows that there must be an intimate relation between offshore purchases and Canadian aid. We are therefore compelled to discuss Canadian aid in order to carry out our offshore purchase policy.

Specific Canadian Problem

The Canadian problem has three related aspects:

A. Offshore purchases are necessary to provide the Canadian economy with essential imports. We can consider the provision of enough dollars for this purpose as in line with the ERP policy since certain level of dollar imports is necessary for Canada to remain an effective supplier of Europe. The present Canadian import controls can be regarded as establishing a minimum level of imports. Offshore purchases in excess of the amount required to pay for the imports permitted under the controls result in an increase of Canadian reserves. Such an increase above a minimum level cannot be regarded as in line with ECA policy.

B. The Canadian balance of payments with countries whose currencies are not convertible into dollars must be financed either by offshore purchases or by Canadian aid, to those countries. At the present time, Canada has stopped the British line of credit and is at present extending no aid to European countries.

C. In line with our mandate to encourage other countries to give aid, it can be argued that Canada should contribute to European recovery amounts comparable to those contributed by the United States. For instance it might be agreed that aid extended by each country should amount to the same proportion of national income. However, any such comparison is a complicated matter. The United States might legitimately argue that ERP is part of a security program and that to achieve comparability, we should consider defense expenditures and ERP expenditures as a combined total.

Our negotiations with Canada should seek to take into account all these aspects of the problem. While any attempt to formalize is apt to be misleading, the following approach seems the most reasonable:

1. Determine the offshore purchases required to satisfy minimum import needs and allow for no increase in reserves.

2. Determine Canadian aid by deducting this amount from the amount required to finance Canada's favorable balance with inconvertible currency areas.

3. Reconsider this result on grounds of equity.

On the basis of the figures we have for the Canadian balance of payments, it seems that the simple rule of equality between Canadian aid and offshore purchases might yield a satisfactory result.

The question of import restrictions will undoubtedly come up for discussion now or later on. Notwithstanding what was said above, it can be argued that by the end of the ERP period, we should plan for Canadian imports to be restored to normal. But, for the present, we have to insist on a tight Canadian import policy. For the present a possible position for us to take is that any increase in Canadian imports from the United States should be met by an increase of exports to the United States. Such an increase of exports must not be a diversion of exports from Europe. We might discuss the question of restrictions on Canadian lumber exports.

The question of Canadian reserves will also receive attention. Since the inception of ERP, Canadian reserves have increased rapidly. It will be exceedingly difficult to justify our Canadian policy if it does result in any further increase.

Our discussions in Ottawa next week are purely exploratory. We want to explain to the Canadians our general point of view but neither side has instructions that will permit it to make any kind of commitment.

London Embassy Files : Telegram : Lot 59 A 543, Box 1388
File 580 Marshall Plan

The Administrator for Economic Cooperation Administration (Hoffman) to the Embassy in the United Kingdom

CONFIDENTIAL

WASHINGTON, August 27, 1948—noon.

Ecato 169. 1. Considerable uncertainty seems to exist on question of how 300 million dollars investment guaranty funds will be divided among participating countries and whether guaranty funds are part of or in addition to annual allotments now being proposed by OEEC.

2. We have made clear to OEEC, and we assumed through OEEC to participating countries, that 4,875 million of program funds is total money which ECA will have to spend during fiscal year 1949. Consequently, 4,875 million includes grants, loans, and guaranties. Since OEEC is recommending division of total 4,875 million among participating countries, OEEC recommendation for any particular country covers grants, loans, and guaranties. In answer to London's Toeca 132, repeated to Paris as Torep 84,¹ we are at loss to understand how British could think that there was any money over and above their annual allotment from which we could give them an extra sum to cover guaranties unless we took this money away from other country. We can only assume that British position on this subject was a matter of bargaining tactics.

3. In view of foregoing, you should make clear to all relevant participating countries that their annual allotments, as recommended by the OEEC and approved by ECA Washington, will contain grants, loans and guaranties. By previous arrangement with OEEC, the division of annual allotments among grants, loans and guaranties will be worked out through bilateral negotiations between US and each individual participating country. Just as we have determined grant-loan ratio, we will shortly determine loan-guaranty ratio after we have had an opportunity to examine annual program in Washington. For example, if total UK annual allotment is 1,200 million, we may decide that it should be divided into 800 million of grants, 300 millions of loans and 100 million of guaranties. We will make same tripartite division

¹ Not found in Department of State files.

within total annual allotments of all other participating countries which we feel should be participants in guaranty program. Portion of total allotment placed in guaranty category will be available only for that purpose and if participating country does not approve sufficient number of guaranty projects to absorb guaranty proportion of its annual allotment, difference will revert back to Ecato be used by ECA for whatever purposes and in whatever country seems to us most appropriate at time.

4. In determining which countries are eligible for guaranty funds, we will probably use as our main criterion principle that countries which should not assume over-large loan obligations should have their ECA loans reduced by shifting part of such loans into guaranty portion of annual allotment. At present, we feel that these countries will be UK, France, Italy, Netherlands and perhaps two or three others but final determination must await examination of OEEC annual program here.

5. Above procedure should provide adequate incentive to countries to approve guaranty projects because otherwise their total annual allotments will be reduced. It is quite likely that if any of guaranty portions of total allotments of countries listed in para 4 above are uncommitted by Jan 1, 1949, we will recapture such uncommitted portions of annual allotments and make these available to those countries which have already programmed up to full amount of their guaranty quotas. This message except last two sentences in para 2 sent to all ECA missions except China.

Sent London Ecato 169; rptd Paris Torep 783.

HOFFMAN

Editorial Note

The European Recovery Program—Trade Union Conference, established in March 1948, held a second conference in London July 29–30. In despatch 1755 from London, August 13, 1948, not printed, First Secretary Samuel D. Berger reported that U.S. labor leaders believed that the Conference's lack of action could be attributed to the "negative attitude of the T.U.C."

840.50 Recovery/8-3148: Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET

LONDON, August 31, 1948—5 p. m.

3916. For the Secretary from Douglas.

1. Of course I have been aware for some time that a number of

those responsible for ECA operations in Europe have been expressing their dissatisfaction with the part played by the UK, and they have repeatedly accused the British of "dragging their feet". (Reurtel 3312, August 20) This attitude has been reflected in the American press. I have also noted that the British are extremely sensitive to this charge, to which they would reply, if they were debating the subject, that they have assumed a large measure of leadership and that their contributions to OEEC and to European economic integration have been substantial and constructive. Their attitudes in Paris conferences, as distinct from their actions, may have given the impression of doubt or even disagreement with some of our proposals, but they have not given us lip service nor have they indulged in platitudes.

2. I assume that your request for concrete examples of British failure to act or British unwillingness to cooperate is directed primarily to Harriman, who is in the best position to furnish the bill of particulars as far as Paris is concerned. In drawing up such a bill, I would suggest, some distinction should be made between situations in which the UK has taken the initiative in opposition, as distinct from situations in which the UK has simply taken the same position as other countries. There should also be taken into account the situations in which the UK has made definite contributions, and I am confident that there must be some of these. In general we must guard against jumping to the conclusion that there is something wrong simply because the British disagree with us. It all comes down to a question of motive, and we must distinguish between, on the one hand, honest disagreement for understandable reasons arising out of the complexities of UK relationships with the Commonwealth, European countries or ourselves, and, on the other, reasons which we could legitimately attack as reflecting misguided self-interest.

3. I am, of course, in close touch with Finletter and constantly following ECA relationships with the British, which seem to me to be conducted in an atmosphere of mutual collaboration and confidence. At the same time we have all been concerned over the British failure or apparent failure to go along with us on several problems:

(a) From the beginnings of OEEC the British have not fully appreciated the importance of making certain that their representatives in Paris should be people of the highest standing and command the widest possible popular appeal. I talked to Bevin about this when we were pressing for the assignment of an officer of Cabinet rank, but he met the point with an explanation based on the difficulties which arise from the structure of the British Cabinet, and I am sure that even Harriman is not pressing this point now. Personally, I felt that the British made a mistake in sending Oliver Franks to Washington instead of giving him this job in Paris, which he is eminently qualified

to fill. It is not so much a matter of rank as it is of personality and intellectual quality, as Franks demonstrated in Paris last year. The present arrangements appear to be far from satisfactory in that both Hoffman and Harriman find Hall-Patch's personality unsympathetic, and considerable friction seems to be developing in Paris on this account. The problem of finding a suitable alternative is difficult, but I think we should work on it until it is solved.

(b) I gather that our conversations with the British over the development of a four-year economic project have been making slow progress, even taking into account heavy pressure on the civil service resulting from our multiple requests for rather elaborate import programs. It seems to us obvious that the evolution of a programme for achievement of basic objectives for the longer term and its integration with similar programmes by the other European countries should have first priority at this time and would represent a really constructive step. However, Finletter tells me that he has put this up to the British in words of one syllable and he now has hopes that a more helpful attitude may soon be apparent.

(c) During the ERP labor conference here it emerged clearly that the TUC attitude toward collaboration with American and European labor groups in a common program to further recovery objectives and to combat the Communist opposition in Europe can only be described as timid and vacillating. This is probably due less to the attitude of British labor itself than it is to its leadership, and I think that the govt and the Labor party might do more than they have done to encourage a more forthright policy.

4. I would like more time in which to consider the tactics which we should follow in putting these problems up to the British, and I am not sure that an approach by Harriman, Finletter and me is the answer at this stage. On several occasions, when I have gone to Bevin with other Americans, he has shown a tendency to react adversely, as though he felt that we were trying to put pressure on him, and there is danger that he might take a position in such circumstances which might become frozen. My own idea is to go first to Roger Makins on a completely personal basis and get his opinion, after which I might see Bevin alone and explore the situation a little further. The problem is one of great delicacy, which should be approached cautiously. I agree with Finletter that we must keep after it until we have secured results, particularly in the matter of getting more successful British representation in Paris.

5. Before taxing the British with obstructionism, however, we must ask ourselves whether or not our own objectives in Europe have been worked out in clear and definite terms, framed realistically to take into account the economic and other complexities of the European picture. Reading between the lines of your message I have an uneasy feeling that we have not yet sufficiently coordinated our political, military and economic policies toward Europe, and particularly that we have not yet established the precise relationship of our work with OEEC within

that larger framework. I doubt that economic integration can make sufficient progress by itself, and I believe that if it is to be achieved it will probably follow or evolve in parallel with other achievements in the equally vital fields of US political and military foreign policy. I realize that you have already had searching discussion with Lovett, Forrestal and Hoffman to determine our future policy attitudes toward OEEC and the direction and degree of integration in Europe that we want and can expect. In a matter of such fundamental importance it might even be necessary to arrange for periodic consultations of this nature in order to keep our policy toward European integration under frequent review on the highest level. Perhaps we can use the occasion of your visit to Paris (what a jolly time you will have!) to go into this whole problem. I have already discussed all phases of it with Finletter.

6. I have, as you know so well, an intimate interest in the suggestion that you may be considering steps affecting the whole area of US-UK relations, since I am directly involved. I would therefore be grateful for an indication what you have in mind as a possible course of action.

DOUGLAS

840.50 Recovery/10-148

*Memorandum by Mr. Richard M. Bissell, Jr., Director of Program, Operations, and Supply of the Economic Cooperation Administration*¹

SECRET

[WASHINGTON,] September 22, 1948.

I believe it is useful to distinguish two major issues concerning the role of the United Kingdom in the European Recovery Program. The first of these, which is dealt with in the attached memorandum by Tufts², has to do with the status of the United Kingdom in relation to the United States on the one hand and to the other participating countries on the other. I subscribe to Mr. Tufts' views on this issue. I believe we have been guilty, at times, of a major inconsistency in our attitude toward the UK. We have suspected them of wishing to circumvent the OEEC and of wishing to establish for themselves a special privileged status as senior partners in the enterprise and have been on guard against any attempt on their part to do these things. Conse-

¹Addressed to Economic Cooperation Administrator Paul G. Hoffman and to Deputy Administrator Howard Bruce.

²The reference is apparently to a memorandum of August 20 in which Robert W. Tufts of the Economic Cooperation Administration suggested that the United States adopt toward the United Kingdom a policy based on the recognition of common problems, interests, and aspirations, on the fundamental importance to the United States of a stable and prosperous United Kingdom, and on the need for the United Kingdom to take the lead in cooperative European action to solve common problems. The full text of the Tufts' memorandum has not been found.

quently, we have not consulted with them and taken them into our confidence as fully as they might have desired. Yet, at the same time, we have complained of a lack of cooperativeness on their part and of their unwillingness to assume effective leadership. I believe it is essential that we decide exactly what we think the status of the UK should be.

The other major issue concerns the substance of British economic and political policy toward the other participating countries. The British have to make, at one time or another, concrete decisions as to the volume of exports to the participating countries, and, in general, the direction of British exports, the conditions on which Britain will enter into currency clearing arrangements with the other continental countries, the volume of credits or grants that the UK is prepared to make out of its own resources to the other participating countries, the direction of investment in the UK insofar as it affects the UK's long-run dependence on participating countries as sources of supplies and as markets and, most important of all, the political commitments that Britain is willing to undertake to the other participating countries. The outcome of these decisions will largely determine whether the UK is to place its main reliance on strong political and economic ties with the Dominions, the U.S., the independent sterling area countries, and other overseas nations with complementary economies (such as the Latin American countries), or upon close ties with the Western continental powers.

I believe that the two sets of arrangements are in some degree alternatives, i.e., that they are in some degree competitive with one another. Regardless of our views, however, I am sure the British regard them as highly competitive, i.e., that they believe a decisive continental orientation precludes the maintenance of close political and economic ties with overseas areas and vice versa. The issue is, therefore, a very real one.

I believe we should decide what policy we would like to see the British follow in this matter, just as we should decide what status we would like to have them occupy as partners in the OEEC. I also believe we should not conclude we would like to see the British abandon an overseas orientation in favor of a European orientation. Such a shift in British policy, if it could be brought about, would, in my opinion, involve a change in power relationships in the world that would be to the marked disadvantage of the U.S. Moreover, I think an attempt to try to bring about such a shift would be quite hopeless. I suspect our conclusion on this point will be (a) that the two orientations are far less competitive with one another than the British now believe and (b) that, insofar as they are competitive, we should not wish to ask the British to prejudice their overseas political and economic connections in favor of close integration with the Continent.

As to the first of these conclusions, I would argue that none of the specific things we would like to see the British do now in connection with the ERP conflict at all seriously with their overseas economic and political relationships. As to the second, the only conflict between the two orientations that might ultimately develop would be in the political realm rather than the economic. It might arise out of the choice between political integration into a U.S. of Western Europe and political integration into an "Atlantic Community" which could include North America and, perhaps, the southern Dominions. Since I do not believe a United States of Western Europe could be achieved, or could be a going concern after it had been achieved, unless it included at least the whole of the British Commonwealth, I do not see how we can argue that British policy should be directed toward that ultimate outcome. On the other hand I believe that an "Atlantic Community" excluding the continental countries might be feasible. What stands a better chance than either is an "Atlantic Community" which would include the West European powers. These beliefs lead me to the above stated conclusion as to what is a desirable British policy.

This concept of an "Atlantic Community," including the Western European powers, would call for strong political leadership by the United Kingdom both in Western Europe and in the British Commonwealth and other overseas areas. Such political commitments would necessarily involve the assumption of substantial military obligations by the United Kingdom. It is altogether probable that the United Kingdom could not by itself both bear the cost of these military obligations and also sustain the productive effort necessary for the success of the European Recovery Program. Therefore, the United States in urging the British to adopt the policy described above would have to be prepared to support directly the military obligations assumed by the British.

Whatever the validity of these rather random personal views, they may serve to illustrate the type of question that must be explored in the course of deciding what we would like the British to do. The main point of this memorandum is not to defend a particular conclusion but rather to urge that we do set about making this decision. Only if we know what we would like the British to do substantively and what status we think they ought to occupy can we hope to persuade them to do what we wish.

The urgency of trying to reach a decision is evidenced by the number of specific points on which we are experiencing friction in our relation with the British or are in specific disagreement with them. The following are the ones that occur to me.

1. *Strategic materials.* The UK has absolutely refused to agree to the inclusion of the strategic materials clause in our loan agreement

with them. There is evidence that they will not be willing to take vigorous steps to increase the production of West African manganese and that we may run into difficulty with Rhodesian chrome. It is probable that they would not be happy to see an extensive investment of U. S. private capital in the Colonies and dependencies.

2. *The European Trade and Payments Plan.* The British appear to have maneuvered themselves into a position in which thoroughgoing automatic clearing of payments would constitute a real threat to British financial reserves. Accordingly, they wish to maintain certain exchange controls in full effect even though such action will seriously limit the effectiveness of the clearing arrangements.

3. *The Sterling Area.* There is no issue on which the British have been more persistent in defending their position. We have now made it pretty clear to them that we would allow them to include the non-participating sterling area deficit in their general balance of payments deficit, provided the Eastern Hemisphere Dominions gave substantial additional aid to the UK. Yet, the British are reluctant to have us negotiate directly on this point with the Dominions and will certainly not do so very effectively themselves. They have to date provided us with no justification of their sterling area deficit calculations in spite of numerous requests from us.

4. *Representation at the OEEC.* In spite of personal appeals by Mr. Hoffman, Mr. Harriman and Mr. Douglas, the British representation in Paris is far below the rank and stature we believe to be necessary if the UK is to exercise effective leadership in the OEEC. Moreover, the British have consistently opposed a really strong OEEC Secretariat which would, in some measure, be a substitute for vigorous direct leadership by the British.

5. *The ECE versus the OEEC.* Although the disagreements on this question are of lesser importance and may be the result largely of misunderstandings and personal frictions, there was apparently a strong feeling in Geneva, at least, that we are badly out of step with the British in the ECE. The worst example is the recent squabble over scrap allocations. Simultaneously with Porter's cable describing the way the British had double-crossed him, the British in Washington received a description of the way Porter had double-crossed their delegation. I suspect this jurisdictional dispute may extend into the whole question of Britain's East-West trade.³

I doubt if we are going to achieve a very satisfactory solution of any of these separate issues until we have developed, and can give expression to a thoroughly consistent attitude toward British policy and Britain's status. Discussion of this matter with the State Department is urgently called for in view of Cripps⁴ impending arrival.

³ Paul R. Porter, Deputy U.S. Representative to the Economic Commission for Europe, had reported on differences with British representatives regarding allocation of scrap steel outside the ECE area. (501.BD Europe/9-1848, not printed) For documentation on the German scrap question, see vol. II, pp. 542 ff.

⁴ Sir Stafford Cripps, Chancellor of the Exchequer, held discussions with Canadian officials in Ottawa, September 21-24, and arrived in Washington on September 26 to attend meetings of the IBRD and IMF and to meet with American officials.

840.50 Recovery/10-1148: Telegram

The Ambassador in Belgium (Kirk) to the Secretary of State

SECRET

BRUSSELS, October 11, 1948—6 p. m.

1852. Spaak is very much concerned about attitude Hall-Patch and British position regarding OEEC meeting Foreign Ministers on 16th Paris; because Hall-Patch has so far declined agree that either Harriman or Marshall be invited. Spaak is furious. He says it is essential Harriman be invited to morning meeting as not only would he learn everything anyhow at second hand, but it would be far wiser, not mention politier, invite him attend. After all, said Spaak, Americans were paying bills and had every right expect their special European representative be present.

Spaak said that Marshall must be at afternoon meeting which was in honor of author European Recovery Program, namely Secretary Marshall himself.

I informed Spaak it was possible Hoffman might be in Paris around next weekend and Spaak said that, of course, if he were there, OEEC would welcome his presence and he would do everything include Hoffman in meetings.

It seems to me trend events in OEEC matters begins suggest reconsideration our attitude towards this organization in regard participation and leadership. Perhaps we should do better accept more responsibility even though not altogether consonant with our original conception that European nations should settle broad range questions by their own decisions. Since ERP has become part our national policy, and for very good reasons, we might well review our own relationship toward OEEC whenever there is reason think progress is being frustrated by procedural matters.

Sent Department 1852, repeated Paris 197 for Harriman, London 167.

KIRK

840.50 Recovery/10-1148: Telegram

The Ambassador in Belgium (Kirk) to the Secretary of State

SECRET

BRUSSELS, October 11, 1948—noon.

1862. Lovett's eyes only. Spaak tells me Harriman has officially requested him take over post director general OEEC and that Harriman developed idea there was no other European who could manage divergent interests of nations concerned; that progress by OEEC was being retarded for lack political and directive force; that he and Hoff-

man would have serious difficulties with American Congress next winter and that unless Spaak accepted take full time leadership Harriman was gravely concerned over future success Marshall Plan.¹ Spaak says Harriman assured him Foster Dulles was favorable.²

Spaak says this places him in very difficult position. He explained Harriman that not only was he leader his own party but was also only Socialist who could preserve workable coalition with Catholic Party, that he had confidence country; that he had so many projects in hand such as Benelux, Brussels pact, chief delegation UN, president Committee One, etc., for whom he could see no Belgian successor. Spaak said frankly proposition had personal appeal. He realized there was large opportunity for good Europe as a whole for preservation peace world. Such post would take him away from daily political strife in Belgium and make his private life considerably easier. Nevertheless he says it means abandonment his political program for Belgium certainly for few years if not longer and he is very disturbed and undecided what to do.

While I fully appreciate need for high caliber political direction in OEEC yet in my opinion it is for serious reflection whether long term interests US will best be served by having Spaak relinquish his government leadership in Belgium and accept international role as head OEEC. Doubtless consideration has already been given to so important matter but I feel bound point out that stable government in Belgium may be gravely jeopardized by withdrawal Spaak from leadership present coalition. Internal political issues include royal question, school question, price-salary question—whose solution by leader other than Spaak seems unlikely be achieved without serious internal repercussions and instability. In external affairs Spaak is dynamic force behind Benelux and Brussels pact as well as leadership Belgian delegation UN and chairman Committee One. For OEEC, Western European Union and Atlantic Union he likewise is driving force. Unfortunately there is no Belgian among current political party leaders who measure up stature Spaak in holding confidence country on both internal and external policies. (When asked point blank who could take over Spaak had no answer).

If Belgian is mandatory for OEEC leadership perhaps Ryckmans

¹ Mr. Harriman in an unnumbered telegram from Paris on October 14, noted that he did "not 'officially request' Spaak to take position with OEEC. My conversation was of an informal character to ascertain whether Spaak was seriously considering suggestions made by other members of OEEC. I did express my personal enthusiasm should he contemplate such a step and the good reception I believed it would have on the American side, although recognizing great importance of role he is at present playing." (840.50 Recovery/10-1448)

² Mr. Dulles was a foreign policy adviser to Governor Thomas E. Dewey of New York, the Republican presidential candidate.

or Gutt³ could be persuaded accept. Naturally I have not expressed these doubts Spaak.

Repeated Paris for Secretary and Harriman.⁴

Sent Department 1862, repeated Paris 201.

KIRK

³ Dr. Pierre Ryckmans, Belgian Delegate to the U.N. General Assembly and the Belgian Representative on the Trusteeship Council; and Camille Gut, Managing Director, International Monetary Fund.

⁴ In telegram Martel 103 from Paris, November 2, 1948, not printed, Secretary Marshall reported conferring with Harriman and Kirk, and had agreed with Harriman not to press Spaak to take the OEEC post now. "For present, I think it best to leave matter alone and so informed Kirk. I will see Spaak in few days and matter may come into discussion then." (840.50 Recovery/11-248)

840.50 Recovery/10-1148 : Telegram

The Acting Secretary of State to the Embassy in Belgium

SECRET

WASHINGTON, October 13, 1948—6 p. m.

1449. Embtel 1862 Oct 11. We fully share Harriman's desire obtain man Spaak's calibre as Director General OEEC. We fear that lack of effective leadership by man of outstanding qualifications will jeopardize success ERP and will have serious repercussions here during next session Congress. Spaak's vision, vigor, practical political ability and Benelux experience make him natural leader this field.

However, feel that Spaak's present position as Chairman OEEC Council provides opportunity for him exert real influence without withdrawing from political leadership Belgium which would be inevitable were he to accept post Director General. Furthermore not only would his withdrawal have unfortunate effect Belgium and Benelux but influence he now exerts as international leader Brussels Pact, UN, etc. would be minimized.

As Chairman Council Spaak already in position to force consideration by ministers of problems of basic concern OEEC, to take leadership in urging strengthening of Secretariat, and to stimulate and guide Secretariat's work. Strongly hope that Spaak will devote as much time and thought as possible to development OEEC but in light his dominant role other fields believe best interest this govt would be served by his exerting strong influence from vantage point Chairman Council. Suggest you discuss foregoing with Harriman, tele your joint reaction, and if you both agree someone advise Spaak.

LOVETT

S40.50 Recovery/10-2848: Circular airgram

The Acting Secretary of State to All Diplomatic Offices in the American Republics, Except Argentina

CONFIDENTIAL

WASHINGTON, October 28, 1948—12:50 p. m.

There have been discussions within the Department and between the Department and ECA regarding the policy of ECA with respect to off-shore procurement by the OEEC countries. The discussions have centered principally around offshore procurement in Argentina in view of the special conditions and problems connected with procurement in that country.

As a result of these discussions, the following telegram was sent jointly by State and ECA on Oct 22 to US Special Representative in Europe and is repeated for your confidential information as representing basic considerations for offshore procurement not only in Argentina but in Western Hemisphere and other dollar areas.

"Dept and ECA desire that all supplying countries (a) sell all products at US or if lower world market prices (b) accept maximum quantities of European Products (c) extend maximum credits to OEEC countries (d) allow transfer duly earned financial remittances. In attempting achieve these objectives, foreign policy considerations in supplying countries must be taken fully into account (Deptel 4045, Oct 15).¹

"Dept and ECA consider following points should serve as basis of ECA policy in offshore procurement:

"1. In accordance Sec 202 PL 793 ECA may not finance purchases at prices higher than US market price adjusted for difference in cost of transportation, quality and terms of payment. There are of course other legislative limitations on offshore procurement.

"2. In all dollar sales ECA will accept only US prices or, if lower, prices prevailing in major supply areas with adjustment similar para. 1.

"3. Non-dollar transactions to be arranged to mutual satisfaction of buying and selling countries provided that such transactions are not used as means of circumventing ECA's objective of minimizing its dollar costs.

"4. ECA desires that, within capacity each supplying country, there be maximum acceptance European products, maximum

¹ In telegram 4055 to Paris, October 15, 1948, not printed, the Department noted that "in order to avoid any possible charge of discrimination it has been agreed by State and ECA to formulate general policy statement on off-shore procurement applicable to all countries where substantial expenditure ECA funds contemplated." (S40.50 Recovery/10-1548)

extension credits to OEEC countries, and transfer of duly earned financial remittances. ECA will periodically review achievement of these objectives in order determine whether further offshore procurement in supplying country is consistent with objective of maximizing effectiveness ECA appropriations.

"5. ECA will encourage OEEC countries to export essential goods at prices acceptable to buying and selling countries and to accept maximum quantity exports from supplying countries."

LOVETT

840.50 Recovery/11-448 : Telegram

The Acting Secretary of State to the Legation in Switzerland

CONFIDENTIAL NIACT WASHINGTON, November 4, 1948—7 p. m.

1502. Conversations here re Swiss participation ERP clearly show Swiss opposed enter into any form agreement with US. This position evidently stems from arguments advanced by members Swiss Parliament during recent debate adherence CEEC. Moreover, Swiss press during recent weeks has played up proposed US-Swiss bilateral to extent question has assumed position out of all proportion to its importance. We regret action Swiss press and consider that it could unfavorably affect ERP.

In consequence above developments ECA and Dept have informed Swiss Min Bruggmann that although US considers agreement desirable in order clearly to define relationship US and Switzerland to ERP, US will not press conclusion agreement if Swiss Govt considers undesirable. At same time, Swiss informed that in absence bilateral US not able define clear line action all cases which might develop between US and Switzerland under ERP. We also told Bruggmann US would be happy enter into negotiations looking toward conclusion bilateral whenever Swiss Govt so desires.

In order allay suspicious Swiss press and public and if you, Harri-man, and Thorp agree, request you informally advise Swiss press in substance as follows:

Conversations re ERP have been going on for past few months between reps US and Switzerland. Conversations have clarified position each country re ERP and revealed strong Swiss objections to conclusion bil. agr. Since Swiss not receiving financial assistance it has been agreed circumstances do not require signed agreement. US prepared undertake negotiation such agreement whenever Swiss Govt so desires.

We intend informally advise press here (especially Imhoof of *Neue Zuercher Zeitung*) simultaneously with your making info available Bern and accordingly will await your telegram as to timing.

LOVETT

840.50 Recovery/12-748

*Memorandum by the Financial Policy Subcommittee to the
Correlation Committee on the European Recovery Program*¹

[WASHINGTON,] December 7, 1948.

Subject: Loan Program Policy for the Second Year of the ERP

Recommendation

It is the opinion of the Financial Policy Subcommittee that:

(1) The initial request to Congress for the second year of the ERP should be on the basis of an all-grant program. Such an approach should not wholly exclude the Export-Import Bank from extending loans to participating countries, but the request should indicate that no wide-scale lending to these countries by the Export-Import Bank is expected.

(2) Only if it becomes evident after formal or informal consultation with the Congress that an all-grant program is not feasible should provision for loans be included in the Program. In that event the Administrator should seek to reserve to his own discretion, in consultation with the NAC, the actual loan amounts, and should advocate retention of the present methods of administering loans.

Background

When the initial program was being formulated, there was some feeling at the technical levels that it would be desirable to have the aid program on an all-grant basis, but in any case it was believed that the Administration should be free to use its discretion in determining the amount of assistance to be extended in the form of loans. During the course of the hearings, however, the Congress pressed Administration spokesmen to suggest a definite figure for loans. Administration spokesmen insisted that no decision could be made at that time as to whether funds would be allocated in the forms of loans or as grants, since the Administrator would have to determine the ability of the participating countries to repay dollar loans after negotiating with the countries themselves. It was repeatedly stated that the proportion of dollar aid which could prudently be provided on a loan basis must depend on the estimate of the borrowing countries' capacity to repay in dollars and also on the degree of flexibility which could be introduced in the terms of repayment, and it was indicated in part of the

¹ The Financial Policy Subcommittee was composed of the senior technical representatives of the agencies which were members of the National Advisory Council on International Monetary and Financial Problems. Under the leadership of C. Tyler Wood, Special Assistant to the Deputy Administrator of the Economic Cooperation Administration, the Correlation Committee was revived to supervise, as it had in 1947, the interdepartmental preparation of the recovery program presentation to Congress.

testimony that the Administration would attempt, as progress was made toward recovery, to swing more into loans than into grants. Under Congressional insistence, various Administration leaders finally testified that they believed from 20 to 40 percent of the assistance in the first fifteen months could be extended in the form of loans.

Analysis

1. It is generally agreed that it would be preferable to permit the European countries to husband whatever borrowing capacity may remain to them for use in the crucial period following the end of the ERP. However, in view of the testimony given by Administration spokesmen at the Congressional hearings last year and the implication that a substantial proportion of aid in subsequent years of the program would be in the form of loans, the Congress would be entitled to some explanation of the factors which would compel the Administration to request an all-grant program. There are several factors which could be presented to justify a reappraisal of the outlook for loans:

(a) The United States has now had an opportunity to examine detailed economic programs for the four-year period of the ERP prepared by the countries themselves. Other information on the economies of the European countries has been collected through research by the ECA missions in the countries themselves and through specific requests to the governments of these countries. These new data provide a much better basis for judging the ability of the European countries to repay dollar loans than was available to the Administration last year. A reassessment of the outlook on the basis of this new information casts greater doubt upon the ability of the major participating countries to service further dollar loans. Even in the cases of these countries which have relatively good prospects of being able to repay, it is now clear that the realization of these prospects is surrounded by so many uncertainties as to cast doubt on the soundness of any large volume of loans made at this time. In the Netherlands, for instance, prospects depend almost entirely upon the preservation of pre-war relationships between the Netherlands and the Netherlands East Indies. If dollar receipts of the Indies are available to the home government, repayment prospects are relatively good. However, if the Netherlands were compelled to depend on the dollar earnings of the home area, they would encounter the greatest difficulty in servicing any further loans.

(b) ECA has discussed loan programs with the various participating countries and has found that most countries believe that they could service additional loans only by measures involving grave risks of creating political and social unrest.

(c) Moreover, it has become increasingly clear that in the period immediately following the end of the recovery program most European countries will need to receive a fairly substantial inflow of private capital from the United States. It is therefore most essential that no action be taken by the U.S. Government which would tend to dampen

such a capital movement. If European countries have been over-burdened with obligations to the U.S. Government which have prior claim on the countries' limited resources, it is doubtful whether any substantial volume of private investment will be forthcoming.

(d) Of great importance is the fact that the international political situation has not developed in as favorable a manner as had been hoped. The deterioration of conditions in the Far East and developments in trade with Eastern Europe indicate that, while the European Recovery Program has not been seriously prejudiced, the long-term position of the European countries is not likely to be quite as favorable as had been expected. When the question of loans was discussed a year ago it was assumed that trade with Eastern Europe would improve and that many European countries could develop surpluses with countries in the Far East which could be used to service dollar loans. Now there is serious doubt that Eastern Europe will furnish the goods which the Western European countries need to relieve them of their abnormal dependence on the Western Hemisphere for supplies and their consequent abnormal requirements for dollars. In addition it is now doubtful whether the Far East countries will be able to pay any appreciable amount of gold or dollars to Western Europe should the European countries achieve the expected surpluses with the Far East.

(f) [*sic*] It is becoming apparent also that for many years the OEEC countries will probably find it necessary to devote a somewhat greater percentage of their resources to defense than had previously been anticipated.

All of these developments indicate that the margin above self-sufficiency or viability to be attained at the end of the Program now appears likely to be somewhat less than Administration spokesmen believed it would be when they testified before the Congress last year.

The technicians of the U.S. Government who have continued to study this problem believe that even under quite optimistic assumptions the balances of payments prospects of the recipient countries do not offer reasonable assurances that a substantial volume of ECA loans in addition to the loan amounts for the first year of the Program could be serviced.

While some of the countries appear able to develop current account surpluses in their over-all balances of payments within a few years after the conclusion of the Program, others cannot reasonably be expected to do any more than balance their over-all international accounts. Most of the countries will probably continue to require dollars in excess of their current dollar earnings at that time in order to avoid political or social unrest. Even in the cases where countries might achieve surpluses in non-dollar areas equal to or greater than their Western Hemisphere deficits, there is no assurance that such surpluses can be used to meet their dollar needs.

Furthermore, their position also depends somewhat on the strength of other European countries, for they are in general, creditors toward

the other participants. Because of this, most if not all, of the aid which they receive from the United States will be conditional upon their extension of local currency grants to other participants. Hence, the U.S. is not in position to extend substantial amounts of loans to these creditor countries unless their aid to debtor participating countries is shifted from a grant to a loan basis.

2. If the approach to the Congress were made on the basis of an all-grant program, it would probably be necessary to indicate that the Export-Import Bank was not wholly excluded from extending loans to the participating countries during this period. It should, however, be stated that no large-scale Export-Import Bank lending program was in prospect for these countries and that it was necessary to predicate the request for aid on the assumption that no such loans would be forthcoming. It would be envisaged that the Export-Import Bank might extend loans to cover the financing, among other things, of certain long-term projects involving the expenditure of funds over a period of years, possibly extending beyond the ERP period. The ECA program would, of course, take cognizance of any such loans which might materialize.

3. Should it become imperative that some portion of the program be in the form of loans, it would seem preferable to recommend that the actual amount of loans be left to the discretion of the Administrator in consultation with the NAC. In the event this approach were used, it would be made clear in the legislative history that loans in a substantial amount, but totalling much less than 20 percent of the authorization requested, would be sought from the participating countries. However, the Administrator should seek to have the entire amount of the aid made available for either loan or grant use in order that there be as much flexibility as possible. It would seem desirable in any case to avoid the setting aside of a fixed sum for loans with the loan funds to be derived from a public debt transaction—the method used in the first year's program.

If the decision were made not to ask for an all-grant program but to seek to reserve the extent of loans to the discretion of the Administrator, much the same line of argument could be employed as if the approach were made on an all-grant basis.

(a) It could be pointed out that the long-term programs of the various countries have not yet been correlated and that the formulation of an overall, consistent program may alter the outlook for certain countries.

(b) Much can be said to show the dependence of the outlook for loans upon fluctuating political developments, the situation in Eastern Europe and in the Far East.

(c) The defense requirements are unknown at this stage.

(d) The operation of the intra-European payments plan may necessitate the extension of substantially all of the assistance rendered to some of the stronger European countries in the form of conditional grants.

All of these factors make it unwise to attempt to set any figure for loans in advance. They would indicate, furthermore, that the amount of loans which probably could be extended would be well below the \$1 billion set aside for loans in the first year of the program.

501.BD Europe/12-2748 : Circular airgram

*The Acting Secretary of State to Certain Diplomatic and Consular Offices*¹

CONFIDENTIAL

WASHINGTON, December 27, 1948—8:05 a. m.

A number of questions have arisen from time to time on the relationship between the work of the United Nations Economic Commission for Europe with headquarters in Geneva and the Organization for European Economic Cooperation with headquarters in Paris. In order to clarify this relationship and to explain the reasons for continued U.S. support of the ECE, the following summary of the views of the Department and the ECA has been prepared, based upon recent exchanges of telegrams between Mr. Porter's staff in Geneva, Mr. Harriman's staff in Paris and the Department and the ECA. It is being circulated for the information and guidance of U.S. diplomatic and ECA Missions in the European countries which are members of either or both organizations.

1. The OEEC and the ECE need not and should not be competitive organizations. The OEEC is, of course, the agency which must assume the major responsibility for strengthening the economies of Western Europe and for bringing about closer economic integration among these countries. Composed as it is of countries which have publicly stated their mutual intention of attaining common goals, and as the organization which recommends to the ECA the division of U.S. assistance among the countries participating in the ERP, it is obviously in a strong position to bring about real measures of economic cooperation among its member countries. The ECE, although its powers are merely recommendatory and its membership includes six countries of Eastern Europe who have openly stated their opposition to the Recovery Program can, nevertheless, serve to complement the OEEC in a number of important fields.

2. Although the Eastern European countries have already begun

¹ This airgram was sent to 24 European posts.

and will undoubtedly continue to use the ECE as a sounding board for attacks on the European Recovery Program, the United States export license policy, etc., it is believed that there are a number of important reasons which outweigh these disadvantages and warrant continued U.S. support for the Commission. These are summarized in paragraphs 3-6 below.

3. The ECE can perform a useful function by obtaining information on Eastern European availabilities and requirements and by facilitating exchanges under which Eastern Europe will provide goods which are essential to Western recovery, e.g., the provision of timber in return for timber equipment, foodstuffs for fertilizer and agricultural machinery, coal for mining machinery. In addition, during the period when quality coal remains in short supply, the ECE is obviously in a better position to recommend allocations than the OEEC which would presumably be unable to obtain the necessary cooperation of the Poles.

4. The OEEC can probably utilize its resources most effectively if it concentrates on those problems which only it can handle or which it can deal with much more effectively than other organizations. A number of other functions which contribute directly to success of the Recovery Program by strengthening and rationalizing the economies of the participating countries can be performed by the ECE and perhaps other U.N. bodies. For example, agreements on reduction in frontier regulations now hampering the free movements of goods, the standardization of railroad cars and equipment are types of measures which are highly desirable and which can be performed without disadvantage and in some cases with positive advantage in a forum which includes Eastern European countries. Furthermore, were functions such as these to be transferred to the OEEC, there is real danger that the result would be to curtail other work of that organization more fundamental to the strengthening and unifying of the economy of Western Europe.

5. Since the long-term objective of the United States and of the Western European countries is to force Russia to withdraw to her own frontiers and to encourage a free Eastern Europe to establish close political, economic, and social ties with a strengthened and unified Western Europe, it is desirable even at the present time for the United States and the Western powers to maintain such links with Eastern Europe as will contribute to the long-term objective of Western Europe. The ECE at the technical level has shown that it can provide a useful link with the Poles and Czechs and to a lesser extent with the Yugoslavs.

6. Another strong reason for continued support of the ECE is the

importance of operating within the United Nations framework wherever possible. The United States Government is publicly committed to this principle. Furthermore, other OEEC countries, in particular the Scandinavian countries, are anxious to demonstrate that they are not "by-passing" the UN by their participation in the ERP. Since the ECE is regarded by many as one of the most successful UN bodies in the economic field, any indication that the United States was attempting to circumscribe the activities of the Commission or was itself pulling out from the Commission would almost certainly have unfortunate repercussions on public opinion in this country, in the Economic and Social Council, and in the General Assembly.

7. It is neither necessary nor desirable to lay down for the future a hard and fast division of functions as between the ECE and the OEEC. Each case will have to be decided on its own merits in the light of changing circumstances. As a general rule, work which is now being performed by the ECE, for example the work of the Coal Committee and the work of the Transport Committee, to the general satisfaction of the United States and the OEEC countries should continue to be performed by the Commission. Normally, new work should be undertaken in the ECE only if the U.S. and the OEEC countries are convinced that participation by the Eastern European countries would be of real benefit, or if the work could not be undertaken by the OEEC without impeding other more important work and is work in which the participation of Eastern European countries is of little importance. The United States and the OEEC countries should be alert to avoid the undertaking by the ECE of any work which might weaken the OEEC. It is clearly important that the OEEC countries and ourselves have a common approach to important questions coming before the Commission and that there be a general understanding among the OEEC countries of the role of the ECE. Finally, our policy with respect to the ECE will have to be kept under constant review and our support reconsidered at any time it appears that the Commission is no longer able to play a useful part in the economic reconstruction of Europe.

LOVETT

POLITICAL RELATIONS OF THE UNITED STATES WITH THE FREE TERRITORY OF TRIESTE ¹

501.BC/12-2747 : Telegram

*The Secretary of State to the United States Representative at the
United Nations (Austin)*

SECRET

WASHINGTON, January 7, 1948—7 p. m.

9. If press reports are correct that Italian and Yugoslav Govts have failed to agree on a compromise candidate for governor of Trieste we anticipate that this question will again be raised in SC.

Dept's policy has consistently been that we will accept no less than an absolutely top-notch governor for Trieste and that unless and until such a man is found we are content to maintain the *status quo*. (CF-Dept's 2745 Dec. 31 to Rome).² For your secret info we feel that in this critical juncture of affairs in Europe it would be dangerous to alter current situation in Trieste where presence of 10,000 US-UK troops serves as decided stabilizing influence at a key point.

In private conversation with your British, French, Canadian and Belgian colleagues of SC you are authorized to state that info in possession of this govt strongly suggests that if any governor, irrespective of his personal qualifications, were appointed to FTT at this time he would be subject to such Yugoslav tactics and pressure as to find himself incapable of maintaining integrity and independence of FTT. SC by appointing a governor under these conditions would find itself in anomalous position of taking a decisive step toward defeating its main purpose and responsibility under Article 2, Annex VI of Italian Peace Treaty, which is to assure integrity and independence of Free Territory.

Foregoing authorized statement must be used with extreme discretion so as to avoid leaks to press. It should not be divulged to any delegation on SC which might be disposed to such indiscretion or to use this info against our interest.

For immediate problem which is report of Italian and Yugoslav Govts to SC we believe that USUN should not take initiative but

¹ For previous documentation on this subject see *Foreign Relations*, 1947, vol. iv, pp. 51 ff.

² See *ibid.*, p. 135, footnote 4.

should contrive that some other delegation move that Council take note of unavailing Italo-Yugo consultation, thank both govts for their efforts and add that if further consideration in SC produces a satisfactory candidate the two govts will be consulted as provided for in Article 11(1) of Annex VI of Treaty.

If USSR or Ukrainian delegates question USUN as to our apparent lack of zeal in pressing for a governor it would not seem useful to point the finger at only Soviet intransigence as being mainly responsible for Council's inability to find a governor since USSR may be quick to accept any candidate knowing that it can frustrate his activities once he assumes charge in Trieste. We feel emphasis should be on exceptional qualities of the potential governor and that in concert with your UK colleague you will be able alternately to manifest inability to accept names thus far offered by the Soviet faction or other delegations excluding of course the UK. If by some chance USSR agrees to one of our own candidates, e.g. Egeland,³ you should state that since so many months have elapsed since his name was first proposed it would seem necessary to inquire as to his availability and that you are referring the matter to your govt for further info on that point.

MARSHALL

³ Leif Egeland of South Africa was one of several possible candidates mentioned in telegram 45 from the Secretary of State to the U.S. Representative at the United Nations, February 12, 1947 (*Foreign Relations*, 1947, vol. iv, pp. 60-61.)

501.BC/1-1648: Telegram

*The United States Representative at the United Nations (Austin)
to the Secretary of State*

CONFIDENTIAL

NEW YORK, January 16, 1948—11:37 p. m.

61. USUN received following advance copy dated January 12 of a Yugoslav letter to SYG reporting failure of talks between Italy and Yugoslavia on a nominee for Trieste governorship:

"In connection with the decision of the SC of December 18, 1947 recommending that the governments of the Federal Peoples' Republic of Yugoslavia and of Italy reach an agreement by January 5, 1948 on the issue of the person for the governor of the FTT, and on the basis of the communication of the SYG of the UN to the government of the FPRY in letter No. 1204/5/1/DP regarding this decision, the government of the FPRY has the honor to submit to the SC a report on the outcome of its efforts to achieve agreement with the government of Italy on the person for governor of the FTT.

"1. On December 23, 1947, the government of the FPRY conveyed

instructions to its minister in Rome¹ to engage in negotiations with the Italian government on this question.

"2. On December 24, 1947, the minister of the FPRY in Rome, Mr. Ivekovic, requested an urgent appointment with the Italian Minister of Foreign Affairs, Mr. Sforza. Mr. Sforza replied that on the question of the FTT, negotiations with our minister would be conducted by Mr. Fransoni,² SYG of the Ministry of Foreign Affairs.

"3. Only on December 26, 1947 did Mr. Fransoni receive Minister Ivekovic, who, on that occasion, submitted to Mr. Fransoni the list of candidates for governor. The government of the FPRY proposed the following candidates: Emil Stang, President of the Supreme Court of Norway; Bohuslav Ecer, General Chairman of Czech delegation to the International Military Tribunal at Nuremberg; Georg Branting, Swedish senator. Mr. Fransoni did not submit any list of candidates and declared that the Italian government as yet did not have one as the suggestion of the SC came to the Italian government quite unexpectedly. Minister Ivekovic expressed his bewilderment at the fact that the suggestion of the SC could come unexpectedly for the Italian government in view of the fact that on October 25, 1947, the representative of France in the SC already had proposed that the FPRY and Italy agree on the question of electing a governor of Trieste, which proposal was afterwards accepted by the permanent members of the SC. Minister Ivekovic asked for the quickest possible reply to the Yugoslav list of candidates, respectively, for a counter-proposal of the Italian government.

"4. Not until the morning of December 31, 1947, did the SYG, Mr. Fransoni, invite Mr. Ivekovic to a discussion. He apprised him of the opinion of the Italian government, i.e. that it would be necessary to choose a candidate for governor from a neutral country, concretely from Switzerland, because it is difficult for Italy to accept a candidate who is a citizen of a country with which it had been at war. For this reason the Italian government rejected all three candidates of the FPRY. Minister Ivekovic could not accept the point of view of the Italian government as this would mean virtually excluding from responsible functions citizenry of all countries which are members of the UN, and would be to the advantage of countries which stood passively aside in the anti-Fascist war of liberation, respectively, which, through their passivity, even served the forces of the Axis; and, further, it would mean the identification of present Italy with Fascist Italy. Besides, this reason as such does not apply to two of the three candidates proposed by the FPRY. One of them is Swedish, and Sweden was an entirely neutral country, and the second is a Norwegian, and Norway was not at war at all with Italy, and the exclusion of such a candidate for reason of his citizenship would infer that the Italian government considers it necessary to exclude all countries against which Germany perpetrated aggression, even though Fascist Italy was not at war with them. Mr. Fransoni declared that only in the afternoon, after a discussion with Mr. Sforza, could he communicate the names of the Italian government candidates.

¹ Mladen Ivekovic, Yugoslav Minister in Italy.

² Francesco Fransoni, Secretary General in the Italian Ministry of Foreign Affairs.

"5. In the afternoon of December 31, 1947, Mr. Frasoni communicated the names of these candidates, namely, Henri Guisan, Swiss general, and Walter Stucki, Swiss diplomat.

"6. On December 31, 1947, the government of the FPRY issued instructions to Minister Ivekovic to reject these candidates. Their choice indicated that the Italian government did not seriously intend to reach agreement with the government of the FPRY on the question of the person for governor, both candidates having already once refused such candidacy, i.e. General Guisan in April 1947 and Mr. Stucki in September 1947. The government of the FPRY made still another effort and submitted as candidates Mr. Maurice Dejean, French Ambassador in Prague, and Mr. Pablo de Azcarate, ex-Ambassador of the Spanish Republic in London, who was proposed as a candidate by the French government as well.

"7. On January 3, 1948, Minister Ivekovic transmitted the above mentioned proposal of the government of the FPRY to the Italian government.

"8. On January 5, 1948, Mr. Frasoni informed Minister Ivekovic that the Italian government had refused the new Yugoslav proposal as well, and that it was proposing new candidates of its own, i.e. Mr. Paul Ruegger, Swiss diplomat, and Mr. Leif Egeland, South African diplomat. Mr. Frasoni did not offer any reasons for rejecting the candidates of the government of the FPRY but that the Italian government considered its candidates would better respond to the functions of governor.

"The government of the FPRY is convinced that it must have been clear in advance to the Italian government that the candidates submitted in this proposal would also be unacceptable for the government of the FPRY and it can only interpret the entire manner of procedure of the Italian government as revealing a complete lack of desire for agreement on the person for governor, while the act of proposing candidates serves only as a formality to avoid responsibility for the failure of the negotiations.

"The government of the FPRY therefore believes that all further efforts towards a mutual selection of the person for governor would be futile and that further negotiations with the Italian government on this question would only delay the appointment of governor, an appointment which is urgent and necessary in the interest of the FTT and for the protection of world peace.

"The government of the FPRY takes this opportunity to express its deep respect to the SC of the UN."

AUSTIN

501.BC/1-2248 : Telegram

The Acting Secretary of State to the United States Representative at the United Nations (Austin)

SECRET

WASHINGTON, January 22, 1948—6 p. m.

26. In tomorrow's closed meeting of SC for discussion of Governorship of Trieste it is suggested that after Council has taken note of

negative replies received from Yugo and Italian Govts., you might find it convenient to state that, as Council is aware, UK and US Govts. are momentarily expecting receipt of Gen. Airey's report on conditions during his administration of UK-US Zone since Treaty went into effect.¹ You might point out that Council's consideration of Governorship problem would be better informed and have more adequate factual background as to qualifications of Governor after study of Gen. Airey's report on actual conditions in FTT.

Following such study of Gen. Airey's report further time would be gained and it would seem appropriate if Council requested a similar report from Commander of Yugo Zone FTT. It would seem preferable however if this suggestion were forthcoming at a later meeting. Although we are at this stage desirous averting full-fledged debate of conditions in FTT which might result in a suggestion for a Commission of Inquiry we feel that Yugos may fall into error of preparing long-winded diatribe in submitting report which would suit our purpose.

Foregoing suggestion is not intended to block further discussion of Governorship if other delegations insist. In such event views set forth in Dept's No. 9, Jan. 7, 7 p. m., continue to prevail.²

LOVETT

¹ Trieste despatch 18, January 17, 1948, not printed, forwarded four copies of the report, covering the period September 15 to December 31, 1947, to the Department. In addition one copy was sent to Rome and one to Belgrade. (860S.00/1-1748)

General Airey's report, as transmitted to the President of the Security Council by note of February 17, 1948, was designated Document S/679. Full text printed in United Nations, Security Council: *Official Records—Supplement for August 1948*, pp. 11-44.

² *Ante*, p. 502.

501.BC/2-648 : Telegram

The Secretary of State to the United States Representative at the United Nations (Austin)

TOP SECRET

WASHINGTON, February 6, 1948—7 p. m.

45. It is apparent that permanent members of SC will shortly again be asked to consider problem of Trieste Governorship. As you know, Dept feels in this critical juncture of affairs in Europe that it is essential to national interest of US that Anglo-American force under Gen. Airey remain for the present in city of Trieste pursuant to provisions of Annex VII of Peace Treaty with Italy, as an essential holding force at this possible gateway to Communist aggression against Italy in particular and Western Europe in general.

We need not recapitulate previous telegrams which have made clear

that for Council to appoint a governor to FTT at this time would invite such Yugoslav tactics of infiltration and eventual aggression as to destroy integrity of FTT which SC has agreed to maintain and to remove strategic and political advantage we now hold by presence of Gen. Airey's command in city of Trieste.

At this juncture it is impossible clearly to predict what course events may take. Outcome of Italian elections in April is not a foregone conclusion and policy cannot be crystallized until elections are over. One basic objective of our policy is, however, beyond any doubt: we do not intend to see Trieste fall into Yugoslav hands. This overall objective should condition your thinking on problem.

Dept is fully cognizant of difficult situation you have been placed in by shifting events and of distasteful task we have asked you to assume in stalling any effort by SC to agree on a governor. We now feel that some variation on the theme might be welcome and that your excellent presentation to the Council on Jan. 23 as reported in your 84 affords us an opportunity to shift emphasis of Council's thinking from qualifications of governor *per se* to conditions which any governor must confront if and when he is appointed.

At a meeting on Feb. 2 between officers of Dept, representatives of British Embassy, and Mr. Sullivan, UK Political Adviser to Gen. Airey, it was agreed that discussion should be had of Gen. Airey's report which will shortly be sent to you¹ for formal submission to Council and that in general terms charge should be made that Yugoslavs in their zone have been violating basic human rights of inhabitants, protection of which is a specific responsibility of SC under Art. 2(A) of Annex VI. Our charges against Yugoslavs would, however, be couched in general terms as to conditions in their own zone, since this tactic is designed to pave way for decision by Council calling on Yugoslav Govt. to submit a report on conditions in Zone B. In this same debate we would be prepared if necessary to criticize Yugoslav subversive and hostile activities against UK-US Zone A as exemplified in certain passages of Gen. Airey's report.

The Council having called for report from Yugoslav Govt. could then wait for submission of such an account before further reviewing its position with regard to choosing a governor. While our thinking has not progressed beyond this point at moment, studies are in progress looking toward possible constructive lines of action which we

¹ The Department's despatch 38, February 13, 1948, not printed, notified Ambassador Austin that 12 copies of General Airey's report for the period September 15–December 31, 1947 were being sent to him (501BC/11–1547).

In telegram 186, February 18, 1948, not printed, Austin reported that the report had been delivered to the Secretariat and after mimeographing would probably be released as a public document (860S.00/2–1848).

might suggest in Council after both Yugoslav and Anglo-American reports have been studied.

British line of tactics has been communicated to Sir Alexander Cadogan and in general terms is set forth for your information in our next following telegram which is text of a telegram sent from British Ambassador here to Foreign Office London following discussions of Feb. 2.² You have full authority to coordinate our lines of approach with your British colleague but to point out that we feel no advantage is to be gained by either British or ourselves formally urging that general situation in Trieste be placed on Council's agenda. Furthermore, proposed British draft of a resolution calling upon Yugoslavia to submit a report on conditions in its zone mentions a deadline of March 16, which in our view is unduly limiting, if not in fact hasty.

Mr. Sullivan at meeting on Feb. 2 read portions of an exceedingly long draft note which he thought Sir Alexander Cadogan might use in SC in charging Yugoslavia with miscellaneous high crimes and misdemeanors. We do not regard this draft as useful and if you discern any inclination on part of your British colleague to use it please tell him that we have gravest doubts on this point and would not wish it introduced without additional consultation.

MARSHALL

² Departmental telegram to USUN 46, February 6, 1948, not printed (501.BC/11-1547).

860S.00/2-1248 : Telegram

Mr. Robert P. Joyce, U.S. Political Adviser to the Commander, British-United States Zone, Free Territory of Trieste (Airey), to the Secretary of State

CONFIDENTIAL PRIORITY

TRIESTE, February 12, 1948—5 p. m.

67. Re Belgrade's 173 February 10, repeated Trieste,¹ relative incident in Yugoslav Zone FTT. Following is summary of information obtained by allied military authorities through interrogation of eye witnesses reaching Trieste.

Giuseppe Varin found murdered by blows from heavy stone at Cittanova d'Istria morning February 2. He was member pro-Italian action party and had been sometime previously released from arrest for "political reasons" as having been implicated in alleged spying activities of Istrian priests. He attended dance at Cittanova night

¹ In this telegram, not printed, Ambassador Cannon reported that the Italian Legation had been instructed to investigate reports which were being given wide publicity in Rome regarding the arrest and "deportation to unknown destination" of 30 persons from Zone B of the FTT (860S.00/2-1048).

of February 1 and was last seen in company of member of "peoples guard."

Upon removal of body to mortuary by authorities local residents became agitated and demanded its release to his family in demonstration numbering 1500 persons. Body later released and after funeral February 3 more than 2000 persons representing greater part population Cittanova participated in angry demonstrations against unknown murderers and "peoples guard" for failure apprehend assailants. Harangue by president Italo-Slovene anti-Fascist union from Isola howled down and police reinforcements sent from Buie.

During night of February 3 peoples guards entered dwellings of persons who had participated prominently in demonstrations and forcibly took them away by truck to unknown destination. According statements number persons so abducted vary from 35 to 50. A number of those abducted returned Cittanova February 5, having been held in nearby villages, but about twelve believed still missing.

Sent Department 67, repeated Rome 27, copy to Belgrade via courier.

JOYCE

865.00/3-448 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, March 4, 1948—8 p. m.

943. We believe that Foreign Minister's suggestion to me regarding Anglo-American statement on Trieste for electoral purposes (mytel 883 March 1) ¹ should be considered in context of following factors:

a. Belief which we are inclined to share among many officials of Foreign Office with whom we have talked as well as among members of government parties that latter's position before electorate needs to be strengthened by one or more favorable diplomatic actions from west in face of Soviet propaganda. Likely subjects include, as we have previously suggested, Italian colonies and migration in addition to Trieste.

b. Italian Government has apparently considered and now rejected possibility that it can anticipate Communist initiative regarding Trieste by direct approach to Yugoslavia.

c. Soviets may well have in mind trying to blackmail Italians out of cooperation with western countries as indicated in reported offer by Soviet Ambassador Paris to Italian Ambassador there (Department's info telegram February 26, 6 a. m.).² If in fact this offer has been made it of course eliminates possibility of Italian initiative by

¹ In this telegram, not printed, Dunn reported that Sforza had suggested "from the tactical point of view in relation to the electoral campaign" a statement by the United States and Great Britain recommending the return to Italy of that part of the Free Territory under AMG (865.00/3-148).

² Not found in Department of State files.

overture to Belgrade and makes even more imperative that we take initiative before we are beaten to punch.

d. Anglo-American troops must remain in Trieste for as long as necessary to forestall any Yugoslav plan for taking over city.

Despite recognizable difficulties of statement by US and UK on Trieste we feel on balance that it would serve interests of Italian democracy and therefore of US if we could find a way to achieve tactical objective suggested by Count Sforza. We further believe that an effort should be made to obtain additional support of French Government ³ for such proposal in order to avoid giving impression that we are ignoring them or that Anglo-Americans as interim administrators of city of Trieste are weakening in their determination to oppose spread of Communism or are motivated by any desire to fall short of our obligations admittedly difficult as implied in Sforza's proposal. (See mytel 3538 November 5 ⁴ and Belgrade's telegram 2199 November 8 to Department.) ⁵

If British and French concurrence can be obtained we would suggest that it be openly propounded in Security Council that Council consider, on basis of recently submitted reports, an administration of both zones of FTT whether a revision of treaty might be desirable with a view to recommending to all signatories that Free Territory provisions be revised to permit return of Trieste to Italy. It occurs to us that in so doing we would accomplish purpose which Count Sforza has in mind while avoiding necessity of bringing up many of clearly debatable and even polemical points he has suggested. Even if Soviets should agree mechanics of obtaining consent of all other treaty signatories to treaty amendment and of implementing such an amendment would, we believe, consume indefinite time during which our troops would necessarily remain in area.

DUNN

³ In telegram 966 of March 6, not printed, Dunn referred to the favorable French views, and again strongly urged favorable consideration by the Department and prompt action in order to forestall a possible Soviet propaganda move regarding Trieste during the pre-election period (860S.00/3-648).

⁴ Not printed.

⁵ *Foreign Relations*, 1947, vol. IV, p. 123.

501.BC/3-848: Telegram

The Secretary of State to the United States Representative at the United Nations (Austin)

TOP SECRET

URGENT

WASHINGTON, March 8, 1948—6 p. m.

119. In light of fact that SC meeting scheduled for March 9 is private meeting of full Council and not Big 5 consultations as anticipated

in Dept's 113 of March 5,¹ following is given for your further guidance.

For your strictly secret info US and UK Govts considering public statement favoring abandonment FTT concept and return of entire area to Ital sovereignty as being solution most likely contribute establishment peace and stability in area. In this connection note Rome's 803 March 1 being repeated to you today. Dept expects reach decision on above within 10-14 days. It is therefore most important that no action is taken at meeting March 9 or within period required for above decision which would in any way circumscribe this Govt's freedom of action. For this reason you shd not reiterate suggestion you made in meeting Jan 23 indicating that SC might request report from Yugo Govt on administration of their Zone since such formal request by you might invite criticism in case above US-UK statement of new policy is made without awaiting Yugo report.

Within above limits you shd continue to be governed by Dept's 96 Feb 26¹ and 45 Feb 6 in full concert with your UK colleague.

If at all possible without giving appearance of excessive delaying tactics Dept anxious defer substantive discussion of conditions in FTT until decision on above statement made. If any names of candidates for governorship are put forward in tomorrow's meeting you should state that you will refer them to your Govt for instructions.

In any case as indicated in para 2 of Dept's 96 we would prefer that UK take initiative in such discussion with assurance our full support.²

MARSHALL

¹ Not printed.

² By note dated March 20, 1948 to the Secretary General of the United Nations, Austin submitted the text of the three power declaration. Printed as document S/707, United Nations, Security Council: *Official Records, Supplement of August 1948*, pp. 44-45.

Editorial Note

The Security Council discussed the question of the governorship of the Free Territory of Trieste at its 233rd and 265th meetings which were held respectively on January 23 and March 9, 1948. For the record of these discussions see United Nations, *Official Records of the Security Council, Third Year*, Numbers 1-15, 233rd meeting, pages 204-207, and *ibid.*, Numbers 36-51, 265th meeting, pages 65-66.

860S.00/3-1348 : Telegram

The Secretary of State to the Embassy in France

SECRET

URGENT

WASHINGTON, March 13, 1948—6 p. m.

807. For the Ambassador. This tel being repeated London for immediate action in obtaining Brit FonOff concurrence following action, including text proposed joint communiqué. When your Brit colleague Paris has received appropriate instructions you shd, in concert with him, approach Bidault to invite his agreement following proposal:

In view unworkability Trieste settlement Italian Treaty, US, UK and Fr Govts shd agreed to recommend immediately return entire area Free Territory to Italy through adherence to new Protocol to Ital Peace Treaty by France, UK, USSR, US and Italy. In announcement this decision it is proposed US, UK and Fr issue joint communiqué on Thursday, Mar 18, of which following is a working draft, simultaneously in Washington, London, and Paris:

"The Governments of the United States, United Kingdom, and France have proposed to the Governments of the Soviet Union and Italy that those governments join in agreement on a Protocol to the Treaty of Peace with Italy to provide for the return of the Free Territory of Trieste to Italian sovereignty.

The Governments of the United States, United Kingdom and France have come to this decision as a result of the proven unworkability of the provisions of the Treaty of Peace with Italy establishing the Free Territory.

During the Council of Foreign Ministers' discussion of the Italian Peace Treaty it was the consistent position of the American, British and French representatives that Trieste, which has an overwhelmingly Italian population, must remain an Italian city. Finally, when it became apparent that Russian disagreement on this point might prevent the conclusion of an Italian treaty and the restoration of peace to the Italian people, the Governments of the United States, the United Kingdom, and France agreed that the city and a small hinterland should be established as a Free Territory under a statute which, with the cooperation of all concerned, would, it was hoped, guarantee the independence of the people of the area and the protection of the Italian city of Trieste from domination by Yugoslavia.

Pending the assumption of office by a Governor the Free Territory has been administered by the Commander, British-United States Forces in the northern Zone of the Territory and by the Commander, Yugoslav Forces in the southern Zone. During the period of British and United States responsibility for the administration of the Zone occupied by their troops it has become apparent that certain elements of the area have conspired to create a situation which makes inoperative the guarantees of true independence for the Territory and the protection of the basic rights of the people. In view of the antagonistic and threatening attitude of the Yugoslav authorities and their efforts towards de facto incorporation of the Yugoslav Zone into Yugoslavia,

the Governments of the United States and the United Kingdom have concluded that the present settlement can not guarantee preservation of the basic rights and interests of the people of the Free Territory. The Government of France has agreed with this view.

The Governments of the United States, United Kingdom, and France have therefore decided to recommend the return of the Free Territory of Trieste¹ to Italian sovereignty as the best solution to meet the democratic aspirations of the people and make possible the reestablishment of peace and stability in the area.

Inasmuch as the Security Council has assumed responsibility for the independence and territorial integrity of the Free Territory of Trieste, the Governments of the United States, United Kingdom, and France will propose to the Security Council that it give its agreement to the suggested protocol.”²

It is proposed that US, UK and Fr would hand appropriate notes to USSR Embassies Washington, London and Paris just prior to publication communiqué.

If Bidault agrees, it is proposed US Ambassador Rome shd after consultation his UK and Fr colleagues inform De Gasperi on behalf three powers this decision on Wednesday, Mar 17, in strictest confidence pointing out consideration had also been given possibility that three powers might propose partition of Free Territory between Italy and Yugo; that proposal for return of all Free Territory to Italy appears more consistent with positions three powers in Ital treaty negotiations, which were based on ethnic grounds; but that if he shd prefer, present action might be amended to propose partition.

Subject De Gasperi's agreement present proposal, joint statement will be published Washington, London, and Paris simultaneously Thursday Mar 18, 11 am EST. We trust Bidault will appreciate need for prompt action this matter in view serious possibility unauthorized publicity.

(Note for AmEmbassy London: Above discussed informally with Brit Emb here and agreed you shd discuss with FonOff with view obtaining earliest possible agreement and advise Dept for info and

¹In telegram 1334 of March 13, received at 11:37 a. m., not printed, Caffery reported that in the various approaches made by the French regarding a declaration on Trieste, “they have made it clear that they strongly believe the declaration should provide for all of Trieste going to Italy. They are convinced that the Soviets would turn this down, thereby putting the Italian Communist Party on the spot. On the other hand the French are equally convinced that any offer to partition Trieste Zone A going to Italy and Zone B to Yugoslavia, would simply be playing the Soviet game.” (860S.00/3-1348)

²In telegram 1370 of March 15, not printed, Caffery reported that he had not yet discussed the draft, but had learned the French views: 1) the statement should refer to the whole of the FTT; 2) the approach should be made to the Italian Government in Rome rather than in the Security Council; 3) the statement should be made between March 27 and April 2; 4) the whole subject should be kept top secret until a day or so before the announcement. (860S.00/3-1548)

Paris for action. Any FonOff change procedure should of course await Department's concurrence prior action by Paris.)

Sent Paris 807, London 895, Rome 682; rptd for info to Moscow 278, Belgrade 114.

MARSHALL

860S.00/3-1648 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

URGENT

ROME, March 16, 1948—2 p. m.

Niact 1154. Since I received information from my French and British colleagues that their governments were agreed in principle to Trieste declaration and my seeing De Gasperi about it and in order to avoid delay which might be caused by Prime Minister's campaign commitments, I took opportunity my visit last evening to discuss in strictest confidence with him proposed declaration on Trieste. He immediately expressed preference for declaration returning whole Free Territory to Italy. He felt such a move would be very helpful. (Reference Department's 682, March 13).¹

In my opinion for purposes here in Italy, declaration might be shorter and when unworkability of Free Territory is mentioned, it seems to me our reasoning should be set forth in same sentence or at least same paragraph.

Declarations propaganda value in Italy depends on its being announced ahead of any statement which the Yugoslav or Soviet Governments may be contemplating re Trieste. Speed in announcement is therefore essential, and I urge that the March 18, 11 a. m. EST date be met.

I am, of course, informing French and British Ambassadors De Gasperi's opinion expressed to me.

Sent Department 1154, London 116 and Paris 162.

DUNN

¹ The Department's telegram 807 to Paris is 682 to Rome, *supra*.

860S.00/3-1648 : Telegram

The Secretary of State to the Embassy in France

TOP SECRET

URGENT

WASHINGTON, March 16, 1948—7 p. m.

Niact 836. Ur 1400 Mar 16.¹ Brit Emb here being requested obtain concurrence postponement publication three power declaration re Trieste until 11 am EST Mar 19, owing delay in consulting Fr Govt.

¹ In this telegram, not printed, Caffery strongly urged keeping to the original schedule in order to be able to give Bonnet some draft for study. (860S.00/3-1648)

When UK concurs this postponement,² you shd in concert your Brit colleague discuss proposed action re Trieste with Bidault and endeavor obtain his approval draft declaration as amended by UK (London's 1071 rptd Paris 109) ³ and further revised here (Dept's immediately following tel).⁴

Inasmuch as De Gasperi's views are now known (Rome's 1154 Mar 16 rptd London 116 Paris 162), procedure outlined Deptel 807 Mar 13 shd be amended omit discussion with Ital Govt. If UK and Fr Govts concur proposed action Mar 19, however, De Gasperi shd be informed thereof in strictest confidence Mar 18.

Sent Paris 836 London 931 Rome 708.

MARSHALL

² In telegram 1072 of March 16, not printed, the Chargé in London reported that the British Foreign Office was worried lest the other side jump the gun; they had received intelligence that Togliatti was preparing to announce on or about April 6 that the Soviet Government favored the return of Trieste to Italy. Hence they urged that the declaration should be issued on March 18 as had been planned. (860S.00/3-1648)

³ In this telegram, not printed, the Chargé in London notified the Department that the Foreign Office was urgently cabling its Washington Embassy certain changes of wording which were to be made immediately available to the Department, while at the same time these changes were being cabled to the British Embassies in Paris and Rome (860S.00/3-1548).

⁴ Niact 837 to Paris, 932 to London, 709 to Rome, March 16, not printed.

860S.00/3-1848: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET URGENT

ROME, March 18, 1948—7 p. m.

Niact 1205. I have just been told by Count Sforza in the most confidential manner that he learned from Bidault of the plan to make declaration on subject of Trieste. Bidault also told him very confidentially that as he felt he had been responsible for suggesting the compromise about the free territory he wished to announce in his speech at Turin next Saturday that the free territory should be returned to Italy.¹ Count Sforza feels that action along these lines by United States and Great Britain would be of greater importance than that of France. He hopes that the declaration to be made by the three governments as arranged would be announced no later than simultaneously with any announcement by Bidault. As he is deeply grateful for France's attitude in this matter as well as that of the United States and Great Britain he wishes to be protected in the matter of his having informed me of Bidault's intention.

¹ In niact 1461 of March 18, not printed, Caffery reported having seen Bidault on his return from Brussels. Bidault wished to mention the matter in his speech scheduled for 5 p. m. Saturday (March 20) in Turin, and did not wish the joint statement to be issued prior to his trip there. Bidault stated that Bevin had agreed to this plan. (860S.00/3-1848)

In view of all the circumstances and the fact that there has been so much correspondence and talk between the various Foreign Offices in the matter, I strongly recommend that the announcement be made tomorrow, Friday, the nineteenth. Bidault can take as much credit for the French action as he wishes and fact that the three have announced their intention would in no way detract from any mention he might make of France's attitude during his Turin speech. (Dept's 728, March 17² and Paris 1421 of March 17 repeated Rome 122).³

DUNN

² Departmental telegram 852 to Paris, 728 to Rome, not printed. It forwarded the text of the memorandum which the Department planned to present to the Soviet Embassy in Washington immediately prior to the issuance of the joint statement. This message was sent also to London, Belgrade and Moscow. (860S.00/3-1748)

³ In niact 1421, not printed, Caffery reported that in the French Foreign Office it was regarded as certain that Bidault would have some observations and modifications to suggest, after his return from Brussels. Hence Caffery urged moving the deadline to March 20. (860S.00/3-1748)

In telegram 1474 of March 19, not printed, Caffery reported that Bidault agreed to publication of the declaration on March 20 at 11:00 EST (860S.00/3-1948).

For the text as issued see the Department of State *Bulletin*, March 28, 1948, p. 425.

860S.00/3-1948 : Telegram

The Acting Secretary of State to the United States Political Adviser (Joyce), at Trieste

TOP SECRET URGENT

WASHINGTON, March 19, 1948—4 p. m.

Niact 123. US, UK and French Govts have agreed propose to Ital and Soviet Govts negotiation protocol to Ital Peace Treaty to provide return to Ital sovereignty all FTT in view unworkability settlement under Treaty provisions and as best solution to meet democratic aspirations people and reestablish peace and stability in area.

Subject to final tripartite agreement, declaration re proposal will be published simultaneously Washington, London, and Paris 11:00 AM, EST tomorrow Mar 20. Text statement and confirmation time publication will be sent you immediately upon agreement.¹

Dept recommends Gen Airey issue, upon publication tripartite declaration, AMG statement to effect AMG will of course continue unchanged pending definitive agreement on proposed protocol; that obviously such agreement cannot be expected for many months; that primary aim AMG will continue to be protection rights and interests all elements population in accord his responsibility under Treaty; that all necessary measures will be taken maintain public order and security; and that the AMG program of aiding economy of Zone and improvement general welfare of all population will continue.

¹ In niact 125, sent to Trieste March 19 at 6 p.m., not printed.

Reurtel 138 Mar 18,² until new solution evolves from tripartite announcement we intend continue maintain *status quo* Trieste regardless political developments Italy and will recommend extension necessary financial and other support for AMG to achieve that purpose. In general, we are in agreement Airey's course of action para 5 A his Taf 81³ in event communist success in Italy and approve his intentions set forth final sentences that telegram.

At early date Dept will send you guidance on basis situation which develops. In meantime we have fullest confidence you will be able furnish Airey necessary advice on day to day problems during next critical period and that all concerned will continue excellent record maintained US and UK Govts' position and prestige in area.⁴

THORP

² In this telegram, not printed, Joyce urged Hickerson that General Airey would be most appreciative for policy guidance during this period (860S.00/3-1848).

³ Not found in Department of State files.

⁴ In telegram 148 of March 22, not printed, Joyce reported that the three power declaration came as a complete surprise; that excellent security was maintained; that there were no incidents (860S.00/3-2248).

860S.00/3-2048

The Department of State to the Embassy of the Soviet Union

MEMORANDUM

The Government of the United States desires to propose to the Government of the Union of Soviet Socialist Republics that it agree to the early consideration, jointly with the Governments of the United Kingdom, France and Italy of the negotiation of a Protocol to the Treaty of Peace with Italy to provide for the return of the Free Territory of Trieste to Italian sovereignty.¹

It will be recalled that the Government of the United States has consistently maintained that the entire area of the Free Territory is ethnically and historically Italian territory and that this Government agreed to its separation from Italy only on the condition that it should be truly independent and that the human rights of the people be fully protected and guaranteed against all possibility of suppression or infringement. This condition is now apparently impossible of achievement and therefore this Government has concluded that the rights and interests of the overwhelmingly Italian population of the

¹ A copy of this memorandum was delivered to the Embassy of Yugoslavia at approximately the same time, under cover of a memorandum of transmittal, not printed (860S.00/3-2048).

area can be assured only through the return of the Free Territory to Italian sovereignty.

The Government of the United States has decided upon this proposal in view of the proven unworkability of the provisions of the Treaty of Peace with Italy establishing the Free Territory. It is the considered opinion of this Government that certain elements of the population have succeeded in establishing conditions which make inoperative the guarantees of true independence for the Territory and the protection of the basic rights of the people as envisaged in the Permanent Statute of the Free Territory. The successful establishment of a Free Territory was recognized from the first as being entirely dependent upon the fullest cooperation and good will of all concerned. However, from the first hours of the history of the area as a Free Territory it became all too apparent that certain elements were intent upon preventing the establishing of a truly independent Free Territory of Trieste. Subsequent events have further proven that the most fundamental human rights have been denied and a totalitarian system has been established in the Zone of the Territory placed under the temporary administrative responsibility of the Commander of the Yugoslav forces in the Free Territory of Trieste. These developments have convinced the Government of the United States that the settlement envisaged in the Treaty of Peace with Italy cannot successfully guarantee freedom for the people of the area or true independence for the Free Territory of Trieste.

The Government of the United States, after consultation with the Governments of the United Kingdom and France, has therefore decided to recommend the return of the Free Territory of Trieste to Italian sovereignty as the best solution to meet the democratic aspirations of the people and make possible the reestablishment of peace and stability in the area. It is hoped that the Government of the Union of Soviet Socialist Republics will concur in this view and agree to the immediate negotiation of a protocol to the Treaty of Peace with Italy to effect this solution of the problem.

It is proposed that such arrangements as may be agreed to by the Powers concerned should be submitted to the Security Council for its approval in view of the special responsibilities assumed by the Council in connection with the Free Territory of Trieste.

A similar communication is being addressed to the Government of Italy.²

WASHINGTON, March 20, 1948.

² For text see Department of State *Bulletin*, April 4, 1948, p. 453. In telegram 1250 of March 20, not printed, Dunn reported having supplied the Italian Foreign Office with a copy of the note delivered to the Italian Embassy in Washington, and a copy of three-power communiqué as well.

860S.00/3-2248 : Telegram

The Ambassador in Yugoslavia (Cannon) to the Secretary of State

BELGRADE, March 22, 1948.

333. Foreign Minister at 12 noon handed me following note numbered 47517, dated March 22 :

"Minister of Foreign Affairs of the Fed. People's Republic of Yugoslavia has the honour to acknowledge to the Embassy of the US of America the receipt of a copy of the memorandum presented by the Government of US of America to the Government of the USSR.

"The Government of the Fed. People's Republic of Yugoslavia most emphatically protests against the way in which the Government of the US of America, in agreement with the British Government and the French Government, has proposed to raise the question of a modification of the provisions of the Italian Peace Treaty regarding the future of the City of Trieste, since while in the proposal the necessity of Italy's agreement had been stressed, no mention was made of the need for an agreement of the most directly interested Allied country—Yugoslavia.

"Such an attitude provides the reason for the opinion that the aim of this proposal was not to find out a better solution of the Trieste issue and the normalization of relations between two nations in south Europe, but that it had a propagandistic character not contributing to the consolidation of peace in the world.

"On this occasion, the Government of the Fed. People's Republic of Yugoslavia considers necessary to recall the following facts in connection with the Trieste issue :

"1. It was the Government of the US of America, the British Government, and the French Government which had engaged themselves for such a solution of the Trieste question as was mainly inserted, at the end, into the Peace Treaty.

"2. The Government of the US of America, the British Government, and the French Government were, in fact, making efforts that no direct agreement between Italy and Yugoslavia as regards Trieste should be reached although the possibility for the solution of the issue by agreement was clearly evident.

"3. The Government of the US of America, the British Government, and the French Government were in the Security Council systematically impeding any agreement on the choice of the person of the Governor of Trieste.

"4. The American-British Military Government, while giving full liberty to Fascist and Chauvinistic Italian elements, hindered the appeasing in the Free Territory of Trieste, thus poisoning the relations between Yugoslavia and Italy.

"5. The American-British Government in Trieste has, by introducing an absolute totalitarian military regime, lacking any coopera-

tion with the people, deprived the people of Trieste of all basic democratic rights and of all liberty. The American-British zone of the Free Territory of Trieste is the only area in liberated Europe where up to this very day no elections whatsoever for the autonomous bodies have been held.

"6. By the new proposal of the US of America, Great Britain, and France, the appeasing in the Free Territory of Trieste has been rendered even more difficult since the democratic will of the Trieste population has been fully disregarded and—on the other hand—still more difficult has been made any agreement between the Fed. People's Republic of Yugoslavia and the Italian Republic on the Trieste question, what would doubtlessly be the best contribution to good neighbourly relations between the peoples of the two countries.

"7. Finally the Government of the Fed. People's Republic of Yugoslavia considers that the presenting of such a proposal during the pre-election campaign in Italy can serve exclusively to the inflaming of Chauvinistic hatred towards the Yugoslav peoples and on the other hand, to a sharpening of the internal political relations in Italy, neither being in the interest of the Italian people themselves or in that of the consolidation of peace in this part of Europe.

"The Minister of Foreign Affairs avails, etc."

Sent Department 333; repeated Moscow, London, Rome, Paris, Trieste.

CANNON

860S.00/3-948: Telegram

The Acting Secretary of State to the United States Political Adviser (Joyce), at Trieste

SECRET

WASHINGTON, April 5, 1948—7 a. m.

159. Reurtel 116 Mar 9,¹ you shd recommend to Airey that for time being Dept considers inadvisable institute policy strict reciprocity on matter admittance press representatives from Yugo Zone. We believe maintenance greatest possible freedom of press for all, commensurate with security requirements, will best serve to demonstrate correctness and fairness US-UK administration and, by contrast, substantiate our charges against Yugo Administration.

Dept recommends that pro-Allied correspondents in UK-US Zone

¹ This telegram, not printed, reported that 6 weeks earlier AMG had requested permission for American and British correspondents to attend the trial in the town of Buie in the Yugoslav Zone of some Benedictine monks who were accused of food hoarding, collaboration with Fascists, immorality, etc. Just before the trial began the request was repeated in writing. The Yugoslavs replied that there was not sufficient time to make arrangements. The actual situation was that Anglo-American press representatives were barred from Zone B, but Tanjug had an office in Trieste. Joyce asked if AMG should not institute reciprocity. (860S.00/3-948)

repeat frequently requests enter Yugo Zone to report on conditions. Suggest full publicity to requests and also to any delays or refusals by Yugos as proof denial freedom of press in Yugo Zone.

LOVETT

860S.00/3-3148 : Telegram

*The Acting Secretary of State to the United States Political Adviser
(Joyce), at Trieste*

SECRET URGENT

WASHINGTON, April 6, 1948—4 p. m.

164. Urtel 163 Mar 30.¹ In order provide fullest public record our administration UK-US Zone at time world attention focused on FTT, consider desirable Airey proceed preparation his second quarterly report as directed by CCS and transmit same soonest. Since we have indicated our conviction FTT unworkable under existing circumstances, we consider most important we give all possible proof we have made every effort toward success FTT as originally envisaged and have faithfully carried out all treaty obligations. By contrast Yugos who have submitted no report their administration and refused press or other observation their Zone will bear full onus failure treaty concept FTT.

Suggest report include specific reference examples Yugo violation letter and spirit treaty obligations and suppression freedoms insofar as such actions have direct effect in our Zone. Airey shd not make reference to matters internal administration Yugo Zone which do not have effect upon or reaction in UK-US Zone.

With reference economic aspects administration, care shd be taken avoid impression UK-US Zone economically incorporated Italy. Point shd be made certain close economic ties necessitated by currency and foreign exchange agreements required by treaty.

Dept has seen Brit FonOff's tel of Apr 3 this subject and in general concurs therein with additional observations set out above.²

Sent Trieste 164, rptd London 1186.

LOVETT

¹ Not printed.

² In Fat 37 (Warx 82498) of May 25, not printed, the CCS advised General Airey that his report would be released in New York on May 27 (860S.00/5-2548).

By letter dated May 24, the British and United States representatives at the United Nations (Cadogan and Austin) submitted General Airey's report on the administration of the UK-US Zone for the period January 1-March 31, 1948 (Document S/781, United Nations, Security Council, *Official Records, Supplement for August 1948*, pp. 46-77).

Editorial Note

On April 6 the Embassy in Belgrade, under instructions from the Secretary of State, urgently brought to the attention of the Minister of Foreign Affairs of the Federated People's Republic of Yugoslavia "a series of incidents constituting flagrant violations of the interzonal boundaries of the Free Territory of Trieste on the part of the Yugoslav occupational forces." After describing incidents on December 12, 1947, and March 22 and 29, 1948, the Embassy's note stated that the "Government of the United States most firmly protests" against the violations of boundaries and "provocative acts toward personnel of the British-American zone in the performance of their duty", and it called upon the Yugoslav Government to take the necessary steps to prevent repetition of such incidents. For the text of the note, see Department of State *Bulletin*, April 18, 1948, page 521.

860S.00/4-S48 : Telegram

The Acting Secretary of State to the Embassy in the United Kingdom

SECRET

URGENT

WASHINGTON, April 8, 1948—6 p. m.

Niact 1228. Dept had informed Brit Emb of agreement postponement for 24 hours second note re Trieste (London's 1424 Apr 8)¹ before receipt Paris' 1846 Apr 8.¹ Release at 12 noon EST Apr 9 as suggested by French Govt therefore impossible to arrange but Dept will proceed with delivery to Sov and Ital Embs Wash Apr 9 and release for publication 6:00 pm EST same day provided no further objection interposed by UK FonOff.²

Although Dept cannot share full Brit confidence that "Ital elections are securely in bag", it is of course evident trend is away from Popular Front. Situation is volatile, however, and dramatic gesture by USSR might have considerable repercussions. Dept feels therefore if USSR is to make any move re Trieste, would be preferable have it come after

¹ Not printed.

² For the text of a note delivered to the Soviet Embassy in Washington on April 9, see Department of State *Bulletin*, April 18, 1948, p. 522. It referred to the note of March 20, *ante*, p. 517, noted that a favorable reply had been received from the Italian Government, and suggested the convening at Paris early in May of a preliminary meeting of the powers principally concerned to negotiate a draft of the necessary protocol to the Treaty of Peace with Italy. For the text of a related note to the Italian Ambassador, April 9, see the *Bulletin*, *ibid.*, p. 521.

second note from US, UK and Fr. Moreover, Dept believes second note would indicate our first move was not mere electoral move but serious step, and if this impression established Dept would welcome Soviet acceptance proposed meeting. (For your confidential info, Brit Emb Wash has shown Dept msg from Gen Airey Trieste stating second note would be beneficial for situation there). On other hand, delay in sending note until 2 or 3 days before elections might merely emphasize electoral character of move.

Re second para Paris' 1846 Apr 8, Dept intends suggest Paris for "preliminary" meeting but will not specify first week May. Reference to need for early action retained however. Dept also substituting "powers principally concerned" for "interested powers" as suggested by UK FonOff.

Sent London 1228 Paris 1155 Rome 1011 Trieste 171.

LOVETT

860S.00/4-1448: Circular telegram

*The Acting Secretary of State to Certain Diplomatic Offices*¹

CONFIDENTIAL

WASHINGTON, April 14, 1948—6 a. m.

Yugo FonMin has given US and UK Ambs Belgrade note which is long harangue against US-UK mil govt in Trieste and which is noteworthy for its excessive disregard for facts and for commonly accepted definitions of words relating to civil rights.² Emb observes that it reveals Yugo intentions by indicating that Yugos are discarding subtler tactics of bargaining over Trieste and Gorizia and have chosen stubborn insistence on letter of Ital peace treaty as their tactics. Treaty now "constitutes internatl obligation to be fulfilled conscientiously and cannot be altered". Note even goes so far as to make

¹ Sent to Berlin, Moscow, Paris, and Vienna.

² In telegram 416 of April 12, not printed, Cannon summarized the Yugoslav note (860S.00/4-1248).

In despatch 355 of April 12, not printed, the Embassy in Belgrade forwarded to the Department an English translation in 19 typewritten pages (860S.00/4-1248).

The note is printed in full in document S/944, United Nations, Security Council, *Official Records, Supplement for August 1948*, pp. 85-99.

In telegram 420 of April 13, not printed, Cannon reported that the note was published in full by all of the newspapers of Belgrade (860H.9111 RR/4-1348).

fantastic claim that Yugos are respecting not only Ital peace treaty but also Hague convention, Atlantic Charter and Tehran and Crimea decisions.

LOVETT

860S.00/4-1448 : Telegram

*The United States Political Adviser (Joyce), at Trieste, to the
Secretary of State*

SECRET URGENT

TRIESTE, April 14, 1948—2 p. m.

211. Remytel No. 199, April 10.¹

1. Committee of pro-Italian political parties will sponsor mass meeting tomorrow evening April 15 to express gratitude to western allies for proposal return Trieste to Italy. AMG has authorized processions to form in several squares in center of city and converge upon Piazza Unita. AMG has also authorized at request of Italian *Lega Nazionale* a mass meeting of 30,000 people at Piazza Unita on Saturday April 17 to present declaration "to the Italian people pledging unwavering loyalty to Italy". Pro-Italian papers announce 124,000 signatures already obtained. Local Italian municipal leaders have requested that a prominent personality come to Trieste from Rome to accept declaration in name of Italy. This gesture is in reality a vicarious vote of Triestini for De Gasperi Government as well as gesture against Communism in FTT. AMG has declined to authorize admission to FTT of such person in connection with fixed policy of not permitting persons to come from the outside to participate in political events in Trieste. Italian officials have indicated they are not inclined to accept AMG ruling on lower level and will take up matter "a government level". There is talk of inviting Garibaldi's granddaughter to accept *Lega Nazionale* petition in Trieste.

2. Head AMG today called in president Trieste Municipal Council, president of Commune and Provincial president and warned them that AMG will not tolerate any disorders in connection with these mass meetings and would arrest disorderly elements immediately in the interests of law, order and security. Italian officials were advised to use their influence to keep pro-Italian demonstrations within orderly bounds. Local officials stated they realized that this was in interests all concerned and pledged their best efforts.

¹ In this telegram, not printed, Joyce reported that local pro-Italian press and political organizations were working up to an emotional pitch and were inclined to assume that the return of Trieste to Italy was already an accomplished fact. General Airey wished to moderate but not discourage pro-Italian demonstrations. (860S.00/4-1048)

3. Communist controlled newspapers today feature Yugoslav note of April 12² to British and American Governments and state "democratic population" will permit no provocations. Civil police acts of terrorism against "anti-Fascists" are alleged and AMG accused of encouraging and protecting Fascist murderers and hoodlums etc.

4. We do not expect Communist inspired disorders but there is certainly possibility that pro-Italian demonstrators might get out of hand and engage in acts of violence against Communist centers and Communist sympathizers which will play into latter hands and perhaps supply martyrs. Situation here outwardly calm but underlying tensions are very real and potentially dangerous.

Sent Department 211; repeated Rome 78, Paris 19, London 15.

Joyce

² See footnote 2, p. 523.

860S.00/4-1648: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET URGENT

PARIS, April 16, 1948—1 p. m.

Niact 2000. Foreign Office and British Embassy both inform me that agreement has been reached between US, UK and France regarding reply to Soviet note of April 13¹ re Trieste (my 1981 April 15).² The French will make public their reply tonight at midnight which is 6 p. m. EST.³

Sent Department 2000, repeated London 298, Rome 182.

CAFFERY

¹ For the English translation of the text of the Soviet note of April 13, see the Department of State *Bulletin*, April 26, 1948, p. 549.

In telegram 1733 of April 14, note printed, Dunn reported that the Soviet rejection of the proposal to return Trieste to Italy was prominently reported in most of the Rome newspapers (860S.00/4-1448).

² Not printed (860S.00/4-1648).

³ In despatch No. 571, April 19, not printed, Caffery forwarded the text of the French note delivered to the Soviet Ambassador on April 16 (860S.00/4-1948).

The text of the note delivered by the Department to the Soviet Embassy in Washington, and released to the press at 2300 hours GMT April 16, was sent to London in Niact 1355 which was repeated to Paris, Rome, Moscow, Trieste and Belgrade, not printed (860S.00/4-1648). For text see Department of State *Bulletin*, April 25, 1948, p. 549.

860S.00/4-2948: Telegram

The Chargé in Yugoslavia (Reams) to the Secretary of State

SECRET URGENT

BELGRADE, April 29, 1948—noon.

513. British Embassy has received instructions to submit note to Foreign Office denying in detail Yugoslav allegations contained Yugo-

slav note April 10 (Embtel 410, April 10).¹ Instructions also received to submit interim acknowledgment and brief general denial statements contained Yugoslav note April 12 (Embtel 415 April 12).² Understand copies both instructions submitted to Dept by British Embassy Washington. British suggest similar action on part US Government. Have asked British to delay presentation notes one day pending instructions from Department.

I concur in British approach since I feel allegation contained Yugoslav notes should not be long ignored.

Instructions to British also provided for discussion of these cases with French Embassy here. Believe French should be kept fully informed but see no need for anything approaching parallel action on their part.³

REAMS

¹ In this telegram, not printed, Ambassador Cannon summarized the six page note received from the Foreign Office which rejected as unfounded Anglo-American protests regarding Yugoslav violations of the interzonal boundary on March 22 and March 29, and listed 12 alleged violations by US-UK authorities (860S.00/4-1048).

Belgrade Embassy's despatch 353 of April 10, not printed, forwarded a full English translation of the note which bore the number 49356 (860S.00/4-1948).

² In this telegram, not printed, Cannon reported having received the note from Foreign Minister Simic at 6:15 p. m. of April 12, and promised a summary of its contents in his next telegram (860S.00/4-1248). See footnote 2, p. 523.

³ In telegram 206 of May 1, not printed, the Department notified Cannon that it had been informed of the proposed British replies and instructed him to address similar communications to the Yugoslav Foreign Office (860S.00/4-1248).

In telegram 557 of May 5, not printed, the Chargé summarized the notes which he had delivered on May 4 (860S.00/5-548).

860S.00/5-2048 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET URGENT

WASHINGTON, May 27, 1948—7 p. m.

1843. Subject urtel 2678 May 20¹ discussed with Brit Emb here. We have now agreed to transmit to Soviet Emb Washington on Tuesday, June 1 at 3 p. m. GMT for release to press 2 hours later² following note which is substantially same as text note Brit will deliver simultaneously in London:

"The Secretary of State presents his compliments to His Excellency the Ambassador of the Union of Soviet Socialist Republics and has the honor to refer to his note of April 16, 1948³ regarding the pro-

¹ In this telegram, not printed, Caffery reported that the British Embassy in Paris had proposed that France, the United States and the United Kingdom again approach the Soviet Government for a reply to their communications of April 16 (860S.00/5-2048).

² The note, dated June 1, is printed in the Department of State *Bulletin*, June 13, 1948, p. 778.

³ See p. 525, and footnote 3.

posals that the Free Territory of Trieste be returned to Italian sovereignty. In that note the Soviet Government was informed that the Government of the United States would welcome any suggestions which the Soviet Government might desire to propose concerning the procedure for drafting the necessary protocol to the Treaty of Peace with Italy to effect the return of the Free Territory to Italian sovereignty.

"As the Government of the United States is convinced that the protection of the rights and interests of the people of the Free Territory requires the very early resolution of the problem, it is hoped that the Soviet Government will communicate its views at an early date concerning the procedure to be followed for the joint consideration of the matter by the powers concerned."

While, in event Soviet rejection or failure reply new representations, Dept in general in agreement Brit proposal further statement reaffirming intention remain US/UK zone pending a just settlement Trieste problem, we consider final determination next move must await developments during period 3 or 4 weeks subsequent delivery June 1 note.

Dept most desirous French continue support joint position re Trieste and hope French will be prepared address new note to Soviets simultaneously with US and UK on June 1. We shd also be grateful for French support of any further US/UK statement re our intentions remain in Trieste until satisfactory settlement. We shall of course consult with French re all further moves which we may contemplate in order satisfactorily resolve Trieste problem. Dept most appreciative close collaboration FonOff this matter.⁴

Sent Paris 1843 rptd London 1953, Rome 1494, Trieste 267, Moscow 606.

LOVETT

⁴ In telegram 2870, May 29, not printed, Caffery reported that the French would on June 1 at 3 p. m. GMT transmit to the Soviet Embassy a note substantially the same as that of the Department (860S.00/5-2948).

In despatch 841 of June 2, not printed, Caffery forwarded the text of the French note (860S.00/6-248).

860S.00/6-2348: Telegram

*The United States Political Advisor (Joyce), at Trieste, to the
Secretary of State*

CONFIDENTIAL

TRIESTE, June 23, 1948.

364. For Ambassador Cannon.

1. Reur conversation with General Gaither here June 19. Five American soldiers who were apprehended by Yugoslav authorities while swimming on beach in Yugoslav Zone FTT have not yet been returned

although incident occurred June 15. Yugoslav Zone authorities on request to return these men simply reply they will be returned unharmed in due course. It is believed here that Yugoslav authorities will endeavor use this incident for propagandist purposes probably to bolster their allegations of frontier penetrations and border incidents caused by Anglo-American forces. Already Communist newspaper Trieste has started articles indicating these soldiers are espionage agents while at same time publishing photograph showing them amicably drinking beer with *Difesa Popolare* guards in Yugoslav Zone.

2. Information in headquarters here is that these soldiers came by sea in small boat to beach in Yugoslav Zone for swimming. Their names are: T/4 George C. Wilson, T/5 Augustin Santana Jr., T/5 Jarvis L. Saulnier, Pfc Gordon J. Foster, Private Archie M. Van Why.

3. Inasmuch as Military Headquarters consider they have exhausted direct approaches to obtain release of this group, it would be appreciated if your Embassy could take up matter expeditiously with Yugoslav Foreign Office with view to having Yugoslav official release these five soldiers immediately.¹

Sent Belgrade, repeated Department as 364.²

JOYCE

¹ In telegram 333 of June 25 to Belgrade, not printed, the Department instructed the Embassy to request the immediate release of the five U.S. soldiers and further to protest the untenable delay in their return (860S.00/6-2348).

² In telegram 781 of June 28, not printed, the Embassy in Belgrade reported that Ambassador Cannon had seen the Assistant Foreign Minister Vlahov who stated that the Foreign Office had indicated three days earlier that the men should be released, and promised an immediate investigation (860S.00/6-2848).

In telegram 382 of June 29, not printed, Joyce in Trieste reported that the five U.S. soldiers and the civilian boatman were returned by the Yugoslavs on the 26th (860S.00/6-2948).

860S.00B/7-148 : Telegram

*The United States Political Adviser (Joyce), at Trieste, to the
Secretary of State*

CONFIDENTIAL

TRIESTE. July 1, 1948—3 p. m.

388. 1. Cominform announcement on Yugoslav Communist Party and Tito and his immediate collaborators¹ caused sensation Trieste. There has been much speculation as to what the present international situation in Yugoslavia might presage for Trieste but general feeling in non-Communist and pro-Italian circles is one of jubilation that Tito is in difficulties and there is discord among members of the Soviet bloc.

¹ For documentation on the split between Marshal Tito and Soviet Russia see vol. iv, pp. 1054 ff.

2. The two pro-Communist local papers, *Il Lavoratore* and *Primorski Dnevnik* at first adopted a cautious line merely publishing the Cominform communiqué. *Primorski* commented briefly that the criticism of the YCP were made in a "brotherly, frank and open-handed manner" and no doubt "mistakes will be remedied to the advantage of the united and granite-like anti-imperialist front of all the working people of the world." *Il Lavoratore* adopted similar line stating that "frank criticism and selfish [*self?*] criticism represent fundamental element of strength" and every act of self-criticism represents a reinforcement of the movement and a step forward. "The present situation will undoubtedly be overcome and result in a strengthening of the European and the world Communist movements". *Il Lavoratore* added that Trieste Communists will continue to fight "for peace for respect of international obligations, against imperialism and against the local and international reaction and that the large popular democratic masses will continue to fight side by side with the Communists.

Il Lavoratore last night published text of communiqué of YCP Central Committee announcement. It also significantly reprints article in *Unita* by Pietro Secchia entitled "Soviet Union, the Directing Force." Leading *Il Lavoratore* article states it is to be regretted that all this has happened but that it demonstrates the "righteousness, strength and clarity of the Communists, their revolutionary vigilance and criticism within the party itself." The article adds that present situation will mean strengthening of world front "led by the Soviet Union" and that "closely united Italian and Slav Communists in Trieste recognize only one ideology, i.e., that which was chosen and followed by Marx and Engels, Lenin and Stalin."

3. Pro-Italian papers *Giornale Di Trieste* and *La Voce Libera* gloat over what they consider to be the fall of Tito. *Voce Libera* speculates that Moscow may have decided to call off the cold war and Tito was a major obstacle. Tito's defenestration might pave the way for a solution of the Trieste problem in accordance with the proposal made by the western powers. *Voce Libera* adds that under Tito, Yugoslavia has recently been calling up military classes, which might indicate an intention to stage a *coup de main* directed against Greece or Trieste but that this would risk a world war for which Russia is not prepared. Moscow therefore decided to remove Tito as a dangerous fuse. *Giornale Di Trieste* last night points out that events in Yugoslavia might mean a clear break between Slav and Italian Communists and points out that the Italian Communists have lined up with the Cominform whereas the local Slav Communists are deeply committed to Tito and might declare for him. *Voce Libera* inquires whether local Slav Communist leader Babic will choose the Marx-Lenin-Stalin line of [*or?*]

the "imperialist-chauvinist Tito" and remarks that in local shipyard pictures of Tito being removed. *Voce Libera* states that both in Yugoslavia and in Trieste Communist Party was a tool in the hands of Yugoslav chauvinists against whom the Cominform now invites rebellion.

4. In local Communist circles it may be Vittorio Vidali, former fighter in Spain and Comintern agent in Mexico and regarded as informant and trouble shooter for Kremlin, might supplant Communist leaders Babic and Ursic. Vidali is an Italian from small town near Trieste and is undoubtedly popular with the workers.²

Sent Dept. 388, repeated Rome 149, London 44, Paris 57, pouched Belgrade.

JOYCE

² In telegram 417 of July 14, not printed, Joyce reported that the Cominform-Tito issue was splitting the local Communist Party wide open, with Babic leading the pro-Yugoslav group and Vidali the pro-Moscow element (860S.00B/7-1448).

Editorial Note

In despatch 155 of July 10, 1948, not printed, Joyce transmitted four copies of General Airey's report on the administration of the United Kingdom-United States Zone of the Free Territory of Trieste for the period April 1-June 30. (860S.00/7-1048) The letter of transmission to the President of the Security Council dated August 6, and text of the report, document S/953, are printed in United Nations, Security Council: *Official Records, Supplement for August 1948*, pages 117-144.

860S.00/7-2948 : Telegram

*The Secretary of State to the United States Political Adviser (Joyce),
at Trieste*

WASHINGTON, July 29, 1948—8 p. m.

379. Following is text note of July 28 from Yugo Govt to SC re administration US-UK Zone FTT:¹

Govt Yugoslavia has honour draw following to attention SC, which in accordance Art 21 para I and Art 2 Annex VI of Treaty Peace with Italy, assures territorial integrity and independence FTT.

Govt Yugoslavia has addressed several notes to US and UK re consistent acts of violations of clauses Treaty re FTT on part of Allied Military Command, respectively on part US and UK Govts. Yugo

¹ The text is printed in full as document S/927, United Nations, Security Council: *Official Records, Supplement for August 1948*, pp. 78-84.

duly informed SC of one of these notes, dated April 12, 1948, No. 49735, addressed to Govts of US and UK.²

From facts disclosed in aforementioned notes, intention of AMC to infringe on independence FTT has become quite clear. In recent period, AMC undertook measures which were further breach of Treaty and which placed independence FTT in jeopardy.

In Article 21 of treaty Allied and Associated Powers, as well as Italy, recognized independence of FTT. This independence was placed under assurance of SC.

In accordance with Article 24, para 4, Annex VI of Treaty, economic union or associations of exclusive character with any state are incompatible with status of FTT. This provision of the Permanent Statute can and, therefore, in accordance Article 2, Annex VII, of the Treaty of Peace, must be applied during Provisional Regime as well.

This also stated in decision of Conference of Foreign Ministers in Moscow, dated April 22, 1947. Therein it is explicitly stressed that solution of questions of budget, balance of payments, currency, customs, and other financial and economic questions concerning FTT the economic independence of the FTT should be provided for in accordance provisions of Permanent Statute, particularly para 4 Article 24 of Permanent Statute—all this being applicable also for period of validity of instrument for Provisional Regime of FTT.

In accordance Article 11, Annex VII of Treaty Italian lira shall continue be legal tender in FTT pending establishment separate currency regime. Italy thereby obliged conclude treaty with Allied Military Command, as well as with Military Administration Yugoslav Army, which would insure supply of liras and foreign currencies to FTT and which would not violate conditions Article 21 of Treaty and Article 24, para 4, of Permanent Statute, to which Italy also bound. Therefore, there is no doubt there exists treaty obligation AMG, as well as Italy, to effectuate supply Italian liras their zone in such way that economic independence FTT not be destroyed.

In spite this, AMC has concluded a number of treaties with Italy in complete contradiction this obligation, and which have as final effect economic incorporation Trieste into Italy.

These treaties are the following :

1. An agreement dated March 9, 1948 between Italy and AMC concerning regulation certain financial questions arising from execution Treaty.³ First article this agreement reads as follows :

“The Italian Government and the Command of the Zone undertake to place no restrictions on the free movement of bank notes and notes

² Printed in full as document S/944. United Nations. Security Council: *Official Records, Supplement for August 1948*, pp. 85–99. See footnote 2, p. 523.

³ See editorial note, p. 559.

of the Italian State between their respective territories in order that the requirements for economic activities may continue to be provided through the normal financial channels."

Thus, monetary frontier wiped out; and other articles of same agreement further put FTT with regard monetary problems, under sovereignty of Italy. According Article 2 of this agreement, each time the Italian Treasury has been allocated effective supply currency, AMC will similarly be granted amount equivalent to 0.65% of these means, which operation will be transacted by Trieste branch Bank of Italy, which, according Article 4 of agreement, will administer Treasury Zone. Should Italian Treasury return any part these means to Bank of Italy, AMC is therewith obliged return proportionate amount.

First sentence Article 5 of agreement reads:

"The Command of the Zone will apply in the Territory under its jurisdiction all regulations of the Italian Republic concerning monetary circulation and will avoid taking any contrary measures."

Thus, FTT is subjected to measures Italian Government, by which it increases or decreases circulation of notes, in accordance own estimates and exclusive interest of Italy, without any possibility FTT protect its rights in any way whatsoever and without any obligation issue advance information regarding such measures to AMC.

Moreover AMC obliged on basis this agreement directly apply Italian regulations regarding the circulation of money in Allied Zone. It is obvious this more than monetary union: This represents in monetary regard submission and incorporation of part of FTT into Italy—and destruction the economic independence of Allied Zone.

2. Agreement on finance, also dated March 9, 1948,⁴ provides Italy will finance administration of Zone, and that the Italian Government thereby will be granted complete control its finances. It is clear aim agreement not merely subject temporarily Allied Zone to Italy, but by implicating FTT in debtor relationship with Italy, to prevent in advance its economic, and, consequently, its political independence.

Hence, in addition to serious violations of above mentioned clauses of Treaty and of decisions of Council of Foreign Ministers, the AMC has gone far beyond mandate by imposing on future government FTT a contractual obligation, final amount of which not determined at present time and which will eventually depend only on agreement between Anglo-American part FTT and the Italian Government.

3. Agreement on provision of foreign exchange for Zone, also dated March 9 completes this work.⁴ Article 2, para 1 agreement reads:

"The Italian Government and the Command of the Zone recognize that the operation of the provisions of Article II, Annex VII of the

⁴ See editorial note, p. 559.

Treaty of Peace must involve the application to the Zone as heretofore of the Italian exchange control regulations. The Italian Government shall receive current foreign exchange earnings accruing to the Command of the Zone under the exchange regulations in force."

Hence, the UK-US Zone completely subordinate to Italy in regard foreign trade as well.

Informazioni per il commercio estero—Bollettino settimanale dell'Istituto Nazionale per il commercio estero, dated May 6, 1948 issued agreement between Ital Govt and AMC, with respect fulfillment agreements made on March 9, 1948, which, in second para asserts, according to the agreement of March 9, 1948, all existing trade and payment agreements between Italy and other nations considered extended to the Zone as well.

In fact, AMC has thus handed over to Ital Govt control most important foreign relations of UK-US Zone. This constitutes most flagrant violation basic task of the mandate, as entrusted AMC in Article 1, Annex VII of Treaty—to protect independence and integrity FTT. Destruction independence and inclusion of UK-US Zone into Italy, in provisions cited article of agreement May 6 have also been formally accomplished, as Ital Min Foreign Trade, through Min Foreign Affairs, to inform all states with which Italy has trade and payment treaties of its agreement of March 9, which renders all existing agreements between Italy and other nations effective this Zone as well. The violation an open one.

Article 3 agreement May 6, provides Min Foreign Trade and AMC will reconvene immediately after respective govts have had opportunity revise obligations within framework "The Economic Cooperation Act" for purpose establishing exact position for Zone in relation Italy's trade and financial treaties. In meantime, AMC has no intention initiating negotiations of financial character with any other state in Europe and to date FTT has concluded no commercial treaty with any state.

In this way, text itself stresses exclusive character relation Italy. Article 24, para 4, Annex VI Treaty expressly prohibits associations exclusive character; but, agreement May 6 goes even further, because it established not only association but also a subjugation. Other provisions nothing more than logical consequence this alienation independence of Zone. According Article 1 agreement, circular letters, bulletins and in general all written instructions Foreign Trade will be applied Zone; and, as indicated Article 4, the Trieste Custom House will be included in customs system of Italy. Thus, entire Zone encompassed in customs system of Italy.

On April 24, 1948, Ital Dep Currencies issued announcement as follows:

"Between FTT and Italy there is no customs barrier and therefore no obstacle exists exchange goods between Trieste and Italy, with exception those essential to this territory and which AMC will not allow for import into the Republic.

"The Custom House in Trieste is to all practical purposes considered equal for both export and import to any Italian custom house, with the reservation that AMC issues permits exclusively, for the Custom House in Trieste, to business firms members Trieste Chamber Commerce. But the permits, if competent Italian authorities agree, may be valid any other Italian custom house."

Paragraphs 5 and 6 agreement of May 6 disclose Ital UK-US Zone as far as import goods concerned, completely dependent Min Foreign Trade as this ministry must approve all special purchases abroad. Para 7 points out obligation AMC to issue import and export permits, only with prior approval Italian representative in Trieste. In paragraphs 8 and 9, Ital regulations, in regard "exports without the obligation to cede the currency" and in regard to "imports franco currency" extended UK-US Zone FTT. In para 11, the UK-US Zone assumes obligation liquidate all special accounts at Bank of Italy in Trieste, which presumably in contradiction trade treaty between Yugoslavia and Italy.

4. In addition above agreement, AMC concluded postal agreement with Italy by which UK-US Zone, in establishing uniform postal rates with Italy, placed under Ital sovereignty. According this agreement, Zone does not represent for Italy a territory of transit and is represented in its relations with foreign countries by Italy, who regulates accounts for FTT.

5. The incorporation of Trieste into Italy is being realized not only by agreements as those cited above, but also by day-to-day administrative decisions of the Allied Military Command of the Free Territory of Trieste.

Thus AMC recently proclaimed June 2nd, i.e. the day celebrating the founding of the Italian Republic, as an official holiday of FTT. Reduction taxes in interest business people in Trieste was initiated by the Commission of the Italian Ministry of Finance. AMC places in responsible positions its administration representatives of that minority of population of UK-US Zone which openly favours liquidation FTT the incorporation of Trieste within Italy.

The Govt Yugoslavia cannot help but associate these violations independence FTT with the widely-known proposal of the three powers to incorporate FTT into Italy and it perceives in these violations plan Govt US and UK to impose on SC, as well as on states which

signed Treaty with Italy, "fait accompli" of incorporation Zone FTT into Italy.

The Govt of Yugoslavia, as a co-signer Treaty with Italy, as an administrator that part of the Free Territory of Trieste entrusted to it, as directly interested party, brings these facts before SC and has honour to request SC, as appointed guardian of integrity and independence FTT:

To declare the above mentioned agreements violations of those provisions of the Treaty of Peace with Italy which pertain to the Free Territory of Trieste;

To undertake the measures it considers necessary and sufficient for nullifying the respective agreements concluded between the Anglo-American Zone and the Republic of Italy, because by these agreements a situation is created likely to endanger the maintenance of international peace and security; and,

To assure the respect by the Governments of the United States of America and the United Kingdom of their international obligations, thus guaranteeing the independence of the Free Territory of Trieste.⁵

Sent Trieste, rpt London 3009, Rome 2012.

MARSHALL

⁵ In the Department's telegram 385 to Trieste of July 30, repeated to Rome as 2023, not printed, the Secretary requested the views of the United States Political Adviser (860S.00/7-3048).

860S.00/7-3048 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET URGENT

WASHINGTON, July 30, 1948—7 p. m.

3028. Redeptel 3009, July 29 (Sent Trieste 379, rpt Rome 2012)¹ transmitting text Yugo note to SC re FTT, we have discussed FonOff preliminary views with Brit Emb. It had been our thought we should make statement at time initial discussion in SC now scheduled next Wednesday to effect we flatly reject Yugo accusations and would refer to Genl Airey's reports to Security Council on administration US-UK zone as complete record all actions taken. Would point out that an examination that record will show administration completely in accord treaty obligations and international law governing conduct military government. We would refute principal charges in general terms and further state we undertaking thorough investigation all allegations and will be prepared for full discussion in SC at early date. Would suggest in meantime members review Airey's reports on US-UK administration including report second quarter 1948 to be delivered SC next

¹ *Supra.*

week.² Would further observe SC may well desire include in its consideration Yugo note an examination of broader aspects of problem FTT. In accord Brit suggestion reference might be made Mar 20 proposal and failure Soviets give views on subject. We would seek delay further discussion Yugo note pending completion study charges and preparation full information for consideration SC.

We consider controlling factors determination our line in debate in SC would be position Soviet members vis-à-vis Yugos charges and general intervening European developments. If it appears Stalin prepared rebuke Tito to extent opposing Yugo position, it may be desirable broaden debate to cover discussion Yugo administration Yugo zone and to endeavor obtain SC recommendation interested powers negotiate revision Ital treaty to provide return FTT to Italy. We have also considered possibility Yugo move planned as demonstration solidarity Eastern states in international affairs despite intermural Communist Party rift, and Soviet members give full support Yugos (as may be suggested by Manuilsky's effort obtain immediate consideration Yugo note), we might still wish mention broader issues along above lines for psychological impact but in that case it may be preferable manoeuver debate to avoid showdown on overall FTT problem and Mar 20th declaration in SC and merely refute Yugo charges and provide some background for possible future reference FTT "Situation" to GA.

Although our position in second debate dependent developments, including any revelation Soviet position on issue as well as general European situation, we are considering desirability stating we would be agreeable to reference specific Yugo charges re treaty violation to International Court should other members SC consider such reference desirable after having heard our full exposition on refutation allegations. Although we have no firm views re advisability reference general FTT problem to a commission at this time, we will consider Brit suggestion and foresee possibility situation developing in such manner make such move attractive. As we have pointed out rep Brit Emb, we convinced we must feel our way along on this problem and plan course as situation develops in such way as not jeopardize our fundamental objectives in area.

We believe above position in general in agreement views FonOff and also UKDel at SC. Please discuss FonOff and advise soonest.

We are requesting Trieste to obtain Airey's comments specific charges Yugo note and have also requested Rome's views.³ Would appreciate FonOff's comments re suggested position at initial discussion

² See editorial note, p. 530.

³ In telegram 466 from Trieste, August 2, not printed, Joyce reported that Airey thought that the Yugoslav charges could be easily refuted (860S.00/8-248).

and strategy to be followed thereafter. USDel at SC will coordinate all actions with UKDel.

Sent London, reptd Rome as 2024, Trieste as 386, USUN 495, Moscow as 879, Paris as 2923, Belgrade as 433.

MARSHALL

8608.00/8-448 : Telegram

The Chargé in Italy (Byington) to the Secretary of State

SECRET URGENT

ROME, August 4, 1948—7 p. m.

3289. Following are our comments on Yugoslav note to Security Council re administration US-UK zone Trieste (redeptels 2012, July 29, sent Trieste 379, London 3009; 2023, July 30, sent Trieste 385;¹ and 2024, July 30, sent London 3028, repeated Trieste 386²).

From Rome point of view, most important that during debate in SC we and British thoroughly back up agreements which we have made through AMG with Italian Govt and that as suggested London's 3488, August 2³ to Dept repeated Trieste 4 we should not be put in defensive position of apologizing for our administration. In this connection note that Yugoslav protest accuses only AMG of violating peace treaty, although of course the agreements which they cite in support their case involve Italians equally and were certainly not dictated to latter; we should in no way leave opening for attempt to shift onus to Italian Govt.

We might point out that Italian fulfillment of obligations under Article 11 Annex 7 is technically impossible without the agreements which have been entered into and which Article itself calls for, as acknowledged in paragraph four of Yugoslav note. Indeed, Article 11 Annex 7 clearly implies that monetary union with Italy will exist until such time as permanent governor might be appointed and new currency regime established. It might also be worth pointing out that agreements of which Yugoslavs complain have been so worded as to permit Yugoslavs conclude parallel agreements for their zone if Yugoslavs willing undertake all requisite obligations. Supply lire on part Italian Govt constitutes burden on that govt, particularly in view of fact that such lire may be used to import from Italy.

Peace treaty also obliges Italy to supply foreign exchange requirements of FTT on as favorable a basis as that supplied in Italy. This clearly means supplying foreign exchange to meet requirements of FTT. Supplying of such foreign exchange to meet requirements of

¹ See footnote 6, p. 535.

² *Ante*, p. 535.

³ Not printed.

FTT could not have meant other than that any such proceeds which might accrue would be used to reimburse Italian Govt. Supplying of foreign exchange requirements on conditions no less favorable than in Italy must mean that FTT external payments with other countries would have to be integrated into Italian system of payments.

Foreign exchange and currency regime have always been considered as provisional as provided under Annex 7 of treaty, such measures do not in any way prejudice future of FTT but simply maintain at expense of Italian Government the status quo, pending such time as permanent government of FTT is set up and able finance its own requirements under Annex 6 (permanent statute of FTT).

Yugoslav complaint does not, of course, refer to recently initialled supplementary agreements between AMG and Italy (reEmbtel 3246, July 31⁴ and previous), and if these agreements are to be approved, believe it would reassure Italians if we inform SC of them before Yugoslavs have chance to do so.

Also important at some stage in debate to reassure Italians our continued interest in fate present Yugoslav zone FTT; in this connection original March 20 proposal in its entirety might well be reiterated, and we might also refer to absence of Yugoslav military government report to SC on administration and to numerous communications to UN from representative groups in Istria, including Istrian committee liberation, re violation human rights in zone B.

BYINGTON

⁴ *Post*, p. 569.

860S.00/8-1148 : Telegram

*The Secretary of State to the United States Political Adviser (Joyce),
at Trieste*

SECRET URGENT

WASHINGTON, August 11, 1948—7 p. m.

Niact 405. Developments SC discussions Yugo charges re US-UK admin FTT indicate strong possibility we shall want to place before SC specific charges Yugo violations treaty obligations in admin their Zone. Such charges wld not only counter false charges against our Zone but wld support contention in Mar 20 proposal Yugos have virtually incorporated Zone into Yugoslavia thereby making treaty settlement unworkable. Brit in their statement before SC charge Yugos with creation "Police State" their Zone. Development this theme as well as specific illustration flagrant violations treaty obligations wld seem desirable.

Although Dept has much raw material submitted by you there seems to be dearth concrete evidence specific violations. Wld appreciate from

you confirmation establishment "Yugo-lira" including text decrees, whether Ital lira also legal tender, etc; whether any customs or other barrier between Yugo Zone and Yugoslavia and what economic controls exist at inter-zonal boundary; application Yugo civil law including commercial and financial regulations in Zone; what is postal system; whether Yugo trade and commercial agreements extend to Zone. Also pls advise whether AMG declared Ital national holiday June 2 legal holiday in UK-US Zone as charged Yugo note.¹

Require telegraphic reply above by Thursday night for possible use next meeting SC Friday morning. Repeat telegram to USUN, New York. Also forward by airmail additional material including all possible documentation to support any charges we may decide make. Dept forwarding by airmail verbatim texts SC meetings.

Belgrade and Zagreb shd telegraph any useful info available those posts.

Sent Trieste 405, rpt Belgrade 479, Zagreb 45, USUN 522.

MARSHALL

¹In telegram 501 from Trieste, August 13, not printed, Joyce provided the specific references requested (860S.00/8-1348).

860S.00/8-248 : Telegram

The Ambassador in Yugoslavia (Cannon) to the Secretary of State

SECRET URGENT

BELGRADE, August 12, 1948—7 p. m.

1084. Text Yugoslav decrees and regulations re FTT zone B have not been published locally (Deptel 479, August 11).¹ Presumption is that these are considered Yugoslav army orders of no concern to Yugoslav public. Best account available to us of conditions in zone B is Yugoslav Foreign Office note 49735, April 12 transmitted Embassy's despatch 355, April 12.² Admissions therein should strengthen argumentation if we decide take initiative in presenting at this time specific charges Yugoslav treaty violations.

From local point view we wonder whether preferable strategy might be to press for report by Yugoslav Military Government its administration zone B reserving our evidence concrete violations for subsequent attack on that report. Past experience indicates we cannot hope obtain full record Yugoslav regulations currently in force in zone B. Tactically Yugoslavs might be in stronger position if required only to rebut our evidence without having to establish affirmative record treaty compliance.

We note following account by Tanjug SC discussion last week. "Yu-

¹ *Supra.*

² See footnote 2, p. 523.

goslav delegate emphasized there was no reason for postponing discussion as facts about violation peace treaty were before council. He said that so far nobody had demanded report from Yugoslavia and that only they had furnished reports who considered Military Government as permanent status in FTT. Meanwhile, Yugoslavs had continued to await nomination of governor in order to submit final report their administration to him."

While conceding vagueness treaty annex 7 re reports, we feel above position is weak and should be challenged. Facts about treaty violations are not before SC until Yugoslavs make their report. Someone might appropriately request report now as per requisite examination administration FTT. No basis perceived for conclusion that submittal report implies acceptance permanence Military Government and volume of specific evidence to contrary, including three powers proposal for reincorporation.

Although Soviet delegate may be expected exercise veto on formal motion demanding Yugoslav report, Yugoslavs might be jockeyed into statement of attitude re request for report. In any event we think public attention should be focused on this fresh instance non-cooperation with UN.

Politically from our local situation it might well be desirable not to engage in direct collisions with Yugoslavs at present highly delicate moment. If while indicating our staunch support for reincorporation FTT we could defer direct clash on specific zone B issues by giving Yugoslavs time to submit report, present enthusiastic support of Yugoslavs by Soviet and Ukraine delegates might be offset.

Sent Department. Department pass USUN, repeated Trieste niact.

CANNON

501.BC/8-2048 : Telegram

The Ambassador in Yugoslavia (Cannon) to the Secretary of State

SECRET

BELGRADE, August 20, 1948—3 p. m.

1126. My 1125, August 20.¹ *Borba's* lead yesterday can be interpreted as present abandonment Yugoslav treaty case re FTT.²

¹ Not printed.

² The Yugoslav charges were taken up by the SC in a series of meetings August 4-19, for which see: United Nations, "Report of the Security Council to the General Assembly covering the period from 16 July 1948 to 15 July 1949," General Assembly, *Official Records, Fourth Session, Supplement No. 2*, pp. 52-57. Verbatim accounts of the sessions of the Security Council may be found in: United Nations, *Official Records of the Security Council Third Year: 344th Meeting, August 4, 1948, No. 101*, pp. 1-27; 345th and 346th Meetings, August 10, 1948, *No. 102*, pp. 1-41; 347th and 348th Meetings, August 12 and 13, 1948, *No. 103*, pp. 1-15; 350th Meeting, August 16, 1948, *No. 104*, pp. 1-19; 353rd, 354th, August 19, 1948, *No. 107*, pp. 1-39.

There is a condensed account in *Yearbook of the United Nations 1947-48*, pp. 52-57.

Politically situation would now appear as it was before with Yugoslavs pressing familiar propaganda formulas. Sudden Yugoslav foray at SC seemed designed: (1) to demonstrate Yugoslav big power role not impeded by Cominform attacks; (2) to force Soviets to take position on Trieste immediately and while Danube Conference in progress.³

If Soviets had failed support Yugoslavia at SC, they conceivably might have risked conference solidarity and would have been vulnerable to their own charge against Yugoslavia of concessions to imperialists. If Soviets supported Yugoslavia they would in effect strengthen basic and pro-Yugoslav element in FTT against Vidali pro-Italians. If this were in fact Yugoslav strategy, it has every local indication of successful enterprise.

In present situation which has gained time for Yugoslavia, our best tactic may be prompt renewal reincorporation proposal to USSR. Soviets at SC were presented with issue they could easily manage in the competing charges re administration zones A and B. Reincorporation is infinitely more difficult for them and we hope they can be continually faced with necessity taking position on it whether it be for, against, or refusing positive response.

Sent Department 1126; repeated Trieste 103; Rome 159.

CANNON

³ For documentation on the Danube Conference, see vol. iv, pp. 593 ff.

501BB/9-2048: Telegram

The Acting Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, September 24, 1948—5 p. m.

2406. You should inform FonOff SC continuously seized question appointment Gov FTT by virtue SC's acceptance responsibility under Art 11 Annex VI Ital Treaty. You shd advise not our intention reopen question in SC or GA at this time.

Re Ital concern possible GA discussion appointment Gov because of item 6 Syg's notification (ur 3782 Sep 23) ¹ FonOff shd be informed that while remarks might be made in GA, Art 12 of Charter prohibits GA take any action problem while it on agenda SC unless latter so requests.

Re Guidotti's suggested course action (ur 3743 Sep 20)² you shd

¹ In this telegram, not printed, Dunn explained that the Italian Government's concern about the question of a governor arose from the fear that there might be a discussion in the Assembly of the Secretary General's list of matters of which the Security Council was seized (501.BB/9-2348).

² In this telegram, not printed, Dunn reported that the Italian Government was seriously concerned that the UN would reopen the question of a governor for the FTT, and hoped that the US would try to prevent the question from coming up (501.BB/9-2048).

point out SC obliged remain seized question appointment Gov until treaty revised or unless SC shd divest itself such responsibility. Question cannot therefore be considered "closed".

You shd reassure Guidotti US Govt continues support Mar 20 declaration and will pursue every means bring about eventual implementation.

Sent Rome, rptd Trieste 499 and Paris as 3802.

LOVETT

860S.00/9-254S : Telegram

The Acting Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, September 25, 1948—1 p. m.

2421. Brit FonOff has expressed concern lest Sovs may soon reject Mar 20 FTT proposal, either prior to or simultaneously with charges before SC that US and UK violate treaty by blocking appointment Governor.¹ In such event we wld be forced defend our position before UN and attempt obtain general acceptance our contention treaty settlement unworkable due Yugo actions and agreement greatest possible number UN members best solution return FTT to Itals. Our exact course action in such situation wld depend developments and cannot be foretold now. Our present policy therefore maintain situation fluid and retain freedom action.

Brit FonOff expresses view we shd make every possible preparation obtain support middle powers in UN our Mar 20 position and suggest this connection Itals might be urged make statement at opportune moment to effect upon return FTT to Italy they wld establish free port Trieste which wld be available commerce all natural hinterland city for benefit increased trade commerce Central Europe and Danubian area. We agree statement such intention Itals might gain support Mar 20 proposal and lessen force any Sov argument against return. Accordingly, you shd, after consultation your Brit colleague, suggest to Itals desirability appropriate statement along above lines.²

Sent Rome 2421, rptd London 3779, Paris 3823, Trieste 502 and Belgrade 560.

LOVETT

¹ There was no further consideration of the problem of the FTT by the Security Council in 1948 after the 354th meeting on August 19. (See footnote 2, p. 540.) The next meeting on the problem was on February 17, 1949.

² In telegram 3868 of October 2, not printed, Dunn reported that Sforza had stated that he would be glad to take such action. (860S.00/10-248).

860S.00/10-1148: Telegram

*The United States Political Adviser (Joyce), at Trieste, to the
Secretary of State*

SECRET

TRIESTE, October 11, 1948—noon.

661. There follows report on highlights present political situation US-UK zone FTT:

1. *CP of FTT*

Split in Communist Party now formal and complete down to cell levels with mass organizations cleanly divided into factions supporting either Yugoslav CP or Cominform. Cold, and sometimes hot, warfare continuing with increasing bitterness between two factions. Pro-Yugoslav CP group led by Babic accuses pro-Cominform group led by Vidali of sole responsibility for breaking up unity of democratic masses in Trieste, of using gangster and terroristic methods, and of secretly preparing ground for return of Trieste to Italy. Pro-Yugoslav group insists Tito and Yugoslav CP are possessors of only authentic holy tablets handed down by Marx and Lenin and represent true internationalists while pro-Cominformists are steeped in sin of nationalism although they mumble empty and out-moded phrases of specious internationalism and do not understand true meaning of Communist writ. Pro-Cominformists adopt Moscow line without question and accuse Babic group of every cardinal sin in Cominformist Decalogue. Only common ground between both factions is solidarity in attacking imperialist war-mongering countries of West led by US and in continuing efforts to undermine AMG.

Pro-Cominform group has gained virtual ascendancy in city of Trieste and now controls majority of membership of mass organizations. Vidali group has shown its strength by successfully gaining control of Slovene Liberation Front previously closely tied to Yugoslavia and Tito and few days ago in outlying village of completely Slovene population, Cominformists were able to stage demonstration where only pictures of Stalin, Zujovic and Hebrang were shown. Pro-Cominformists are busily engaged in purging pro-Yugoslav members from party apparatus down to cell level and 14-point directive circulated to group political secretaries stresses necessity for party renovation and cleansing of all Trotskyite (pro-Yugoslav) elements Cominformist organ *Lavoratore* now receiving money from Rome and no longer in financial difficulties but its issue is only half of what it was before split.

Pro-Yugoslav faction has succeeded in obtaining title to party funds and real estate which it controlled anyway before split. Babic group busily engaged in organizing new cells among Slovene workmen in

heavy industries and still controls cells in most outlying Slovene villages. Both factions are engaging in energetic educational and indoctrination campaign among their respective adherents.

In general Communism in Trieste received very serious blow as result Cominform resolution and former militancy no longer apparent. Cell and group meetings are sparsely attended and demonstrations by mass organizations are apathetic. Both factions are licking wounds and preparing for comeback with Babic group concentrating on Slav racial element in support Yugoslav nationalism, while Vidali group, although without adequate funds, is feeling cosily secure and self-righteous in arms of Moscow and in good standing within brotherhood of other CP's.

2. *Sindicati Unici*

In Cominformist cell and group meetings political secretaries state strike weapon was misused under previous Babic leadership with result that masses are tired and oppose strikes. "We must re-educate masses all over again and make them understand strikes are most telling weapon in fighting capitalism and imperialism; we must be ready to use this powerful weapon again and have full support of the masses." Cominformist leadership devoting particular attention *Sindicati Unici*. Pro-Yugoslav elements being ruthlessly eliminated and leadership is being reshuffled and improved. SU leaders state rising prices provide golden opportunity to rally masses and party workers are being instructed to agitate and prepare masses for general strike. SU is making concerted effort to regain from non-Communist *Camera del Lavoro* undisputed leadership of trade union movement. SU leaders are speaking in terms of sweet reasonableness and endeavoring persuade *Camera* leaders to cooperate "for the welfare of workers and small business owners". *Camera* leadership wary of Communist infiltration, but feel if they stand aside in price wage battles, SU may capture leadership on this basic economic issue.

3. *Italian nationalist activities*

Lega Nazionale prestige has been recently undermined by revelation that certain key officers have misappropriated and stolen *Lega* funds. There is bickering with resulting weakness in pro-Italian front between Left and Right wing non-Communist parties. Christian Democrats have obtained firm hold on local administration, but leadership is weak and vacillating. In general Italian irredentist activity has considerably cooled off except in the press.

4. *Italian versus Slav nationalism*

For past month bitter controversy has raged in press over question of Slovene language schools in this zone. Basic issue is racial and na-

tionalistic with Italians endeavoring to control education and reduce to minimum Slovene-language schools and culture and Slovene element led by Primorski Nevnik and supported by SDU endeavoring to maintain Yugoslav foothold and Slovene language particularly in educational field. Extreme Italian nationalist press consider Slovene schools as fungus growths of an alien and inferior civilization on holy soil of motherland, poisoning minds of children with pan-Slavic doctrine and hatred of Italy, et cetera. Yugoslav organizations and pro-Yugoslav press state Italian chauvinism, particularly in field of education, now more exaggerated than in the days of Fascism.

Slovenes of all political persuasions are united on this issue of fighting Italian chauvinism. AMG as trusteeship administration applying Italian law, financed by Italian Treasury, governing with local Italian officials in accordance with Italian pattern and in spirit of tripartite proposal of March 20 finds it most difficult to control Italian nationalism and discrimination against Slovenes whose claims are exaggerated, and in turn inspired by Yugoslav determination to retain and if possible increase Slav influence in this area. Although permanent statute not in effect in Italy, AMG endeavor to protect basic freedoms among conflicting and bitterly opposed racial and politically hostile groups is being accused by Italian nationalists of catering to and encouraging Slavs, and by Slavs of permitting Italian nationalists to run wild in their efforts to Italianize Trieste against terms and spirit of Trieste treaty settlement. We believe we are giving Slovenes fair deal on school issue and AMG permits Slovene Communes full local autonomy with Slovene mayors, but the Yugoslavs are interested in city of Trieste where Italians have overwhelming majority, own almost all property, and will not give an inch to Slovenes in their efforts to increase their political, economic and psychological foothold.

5. *Local elections*

Communists of both factions are insisting preparation of electoral rolls and development electoral machinery should not be left in Trieste to Italian nationalist local officials, but that "peoples representatives" should participate to prevent discrimination in favor of Italian chauvinists. Pro-Italian political parties lukewarm about communal elections as some will be revealed as having minute popular support. Christian Democrats will probably receive plurality but will have to share their present virtual political monopoly with other groups including Communists.

6. *Yugoslav Zone FTT*

Yugoslav Military Government is progressively integrating Yugoslav zone into Yugoslav Communist state and all opposition to Tito is ruthlessly suppressed including particularly pro-Cominform elements.

It appears Yugoslav policy is completely to absorb Istria and destroy non-Communist Italian character of zone looking forward to some settlement in which US-UK zone only will return to Italy. Italians here still fear Washington and particularly London will compromise March 20 proposal and permit Tito to retain Yugoslav zone. There is no doubt that real terror regime exists in Yugoslav zone and Italians dispossessed and brutalized refugees flow into Trieste daily.

7. Conclusion

Population US-UK zone increasingly aware their own political efforts can not decide nor perhaps even greatly influence eventual solution but that Trieste issue inextricably bound up with over-all East-West struggle. There is increasingly less local political ferment but increasing absorption in economic affairs with hope that ERP aid and help from Italy will provide more jobs and security. Population has eyes fixed on Berlin situation and on Assembly meeting in Paris.

Sent Department 661, repeated Rome 224, London 79, Paris for USUN 112, pouched to Belgrade.

Department pass Moscow as 21.

JOYCE

501.BC/10-2748 : Telegram

*The Acting Secretary of State to the United States Representative
at the United Nations, at Paris*

SECRET

WASHINGTON, November 2, 1948—7 p. m.

Gadel 376. Reply Delga 505 Oct 27¹ position Dept on Yugo charges follows: (1) When Yugo protest first considered by SC US Rep shd remind Council of charges made by Yugos on previous occasions and disposition these charges which Council saw fit to make. In light this experience, he hesitates take time Council go into these charges which as unfounded as previous and which even, in some instances, repetitions of charges which Council failed to support in past. Appears pointless burden SC with discussion these frivolous charges, but to economize SC expenditure of energy, he suggests that sub-committee (for urinfo Dept believes such group might be composed of Belgium, Canada and the Ukraine) study Yugo allegations and report to SC whether they

¹ This telegram, not printed, summarized the Yugoslav memorandum, S/1054, with the initial date of October 24, 1948 (501.BC/10-2748).

The memorandum was initially transmitted to the President of the Security Council by telegram. Various corrections were made in this text and the revised document dated November 2, 1948 was designated S/1054/Corr. 1. (UN Official Record—IO Files, Lot 60 D 463, S/1054, the official United Nations documentation for the years 1946-1956 as maintained in the Bureau of International Organization Affairs.)

merit consideration by full Council. Council's attention might also be called to absence, after more than year from establishment FTT, of any report on admin Yugo Zone.² While US wld in no way suggest that any illegal actions known to have been taken by Yugo authorities in Yugo Zone are related to false accusations now before Council, we cannot help view continued silence Yugo with growing suspicion and concern.

(2) Re foregoing suggestion sub-committee: (a) If in your judgement it seems that Council can entertain Yugo charges and dispose of them expeditiously in our favor we wld prefer to have brief debate in Council itself rather than resort to sub-committee; (b) Naturally Brit and US wld have full opportunity to appear before sub-committee to present our case.

(3) For info and general guidance GADel, Dept now most desirous maintain *status quo* FTT; continue support Mar 20 position without going into detailed defense that position; avoid debate appointment Gov; avoid discussion Yugo Admin Yugo Zone which matter we in future desire make full subject full dress debate in presenting justification our FTT position before UN when seeking general support for proposed return FTT to Italy.

(4) Following arguments submitted for use as appropriate:

(a) Treaty makes no provision for holding communal elections during period Provis Reg. To provide some opportunity for democratic expression of will residents Zone, in absence conditions which wld permit holding elections for Constituent Assembly as provided in Peace Treaty, AMG has, in accordance with general powers of Admin conferred under Art 2 Provis Reg, ordered electoral rolls be prepared in general accord with Ital law which remains basis for Admin entire FT according Art 10. With regard to inspection electoral lists, SC may be assured elections will be held fully in accord with principles democracy.

(b) Relation Treaty to question adherence US-UK Zone to ERP appears in provision Art 2 Provis Reg that authorities FTT to be "guided mainly by needs of population and its wellbeing". Association Recov Prog, far from being exclusive as charged by Yugos, is cooperative undertaking among large number Eur Countries, thus open to US-UK Zone. Also open to some other nations clearly in position benefit from association with RP but prevented from joining. EC Agreement Oct 15 between US-UK Zone and US Govt takes account Peace Treaty throughout and specifies Commander will carry out

² In telegram Delga 608 from Paris, November 5, 1948, not printed, Secretary Marshall informed the Department that Yugoslavia had filed with the President of the Security Council the "annual report of the Yugoslav Army military Government on the administration of the Yugoslav Zone of the Free Territory of Trieste." (501.BC/11-548)

The report, not printed, was designated S/1066, and dated November 4, 1948. It was submitted under cover of a letter of November 1 from the Permanent Representative of Yugoslavia to the United Nations to the President of the Security Council. (UN Official Record—IO Files, Lot 60 D 463, S/1066).

See footnote 3, p. 576.

obligations under Agreement with due regard responsibilities under Treaty.

(c) Sep 22 Agreement ³ in direct implementation Mar 9 agreements between AMG and Ital Govt, which in implementation Art 11 Provis Reg. Refer SC to relevant remarks concerning Mar 9, June 26 agreements already made by US Rep Aug meetings. Text Part I Art 8 Sept 22 Agreement itself explains need for price adjustment.

(d) Annex X, Art 1 provides FT receives Ital state, parastatal property. "FT" implies existence unified Territ under Gov, non-existent at present. While AMG exercises considerable control and supervision over operations state, parastatal enterprises, cld not appropriately take title to them. Therefore proffered Yugo assistance in utilizing revenues from property not required. (Foregoing subject Trieste's comment and further info)

(5) Shd question selection Gov be raised as in Aug, may be disposed of same manner as then. No new developments this subject to change attitude shown by SC then. Also several Council members given further background by UK Govt which wld presumably make them better acquainted, more sympathetic with our position.

(6) US Rep shd at appropriate time remind Council, if discussion Yugo charges drags out, that we made clear Mar 20 our conviction FTT cld not, on unification two zones, maintain independence and integrity which Treaty prescribes, in view character Admin Yugo Zone. We are further persuaded FTT, because barriers now prevailing in Eur, economically not viable as separate entity. As consequence, where Treaty permits latitude for FTT authorities, AMG inclined, especially recently, postpone changes present laws etc. in direction establishment ultimate FTT Govt and separate Econ. Art 10 Provis Reg provides for this general approach in any case.

(7) During SC Aug consideration Yugo protests it was US intent avoid giving Yugos any opportunity use situation lessen Tito-Comin rift. Yugos, however, received apparently wholehearted support USSR, will probably receive it again present case. Presumably Yugo charges made to demonstrate solidarity with Soviet in opposition to west, show Yugo people Govt has not abandoned active interest Trieste. US attitude shd be impatience with rptd intrusions on SC with unfounded charges.

(8) You shd discuss foregoing with UK Reps to agree general approach. Burden answering electoral rolls and state, parastatal property charges might be left to Brit if they concur. Foregoing replies (4 a-d above) subject throughout Trieste comment.

Repeated to Trieste 581, Belgrade 600, Rome 2707, and London 4176.

LOVETT

³ See editorial note, p. 575.

ECONOMIC AND FINANCIAL POLICY OF THE UNITED STATES TOWARD THE FREE TERRITORY OF TRIESTE ¹

860S.5151/1-648 : Telegram

The Secretary of State to the Embassy in Italy

SECRET

URGENT

WASHINGTON, January 6, 1948—6 p. m.

26. Commander, UK-US Zone, FTT ² authorized in Fat 10 ³ to seek assistance US and UK Embs Rome in negotiating agreements with Ital Govt for provision of currency and foreign exchange to FTT. Please render General Airey such assistance as deemed appropriate. General Airey authorized seek agreement with Ital Govt on basis of draft texts contained urtels 3599 and 3600 Nov 8 ⁴ as modified by comments in this and immediately following cable.⁵

Re proposed draft agreement on provision of currency contained urtel 3599:

1. Text first sentence para 2A should be revised to indicate specifically that quarterly amounts to be advanced will be determined in consultation with Italian Government. Provision might also be made that question amount currency to be supplied be referred to government level for resolution at any time that AMG and Ital representatives fail to agree.

In this connection Commander, UK-US Zone, FTT informed that Peace Treaty obligates Italy only to extent furnishing currency "under conditions no less favorable than those applying in Italy." Only means obtaining currency for FTT on more favorable basis appears to be persuasion Ital Govt that such more favorable treatment FTT in Ital interest and justified on grounds special FTT problems. Recognized such persuasion in fact involves obtaining Ital Govt approval proposed AMG local currency expenditures with resultant Italian influence FTT economic program. However, Ital Govt on basis of relevant treaty provisions would appear to be in position to refuse furnish currency in amounts exceeding, for example, outlays related to administration of Ital city of comparable size with consequent serious results for AMG operations in view urgent need for additional

¹ For previous documentation on this and related subjects, see *Foreign Relations*, 1947, vol. iv, pp. 51 ff.

² Maj. Gen. Terence Sydney Airey (British).

³ Warx 93312, December 31, 1947, not printed.

⁴ Neither printed.

⁵ The Department's telegraphic instruction 27 of January 6, not printed, made further comments on the proposed draft (860S.5151/1-648).

supplies of currency after mid-Jan and difficulty our making further economic assistance available FTT immediate future. Also recognized that Ital Govt properly concerned about amount of and procedure under which currency supplied UK-US zone in view possible Yugo demands and since, apart from question possible inflationary spillover into Ital economy from FTT, use by FTT of lira currency in payment for orders placed with Ital manufacturers, for example, might result in indirect drain on Ital foreign exchange resources insofar as Ital deliveries to FTT contain imported raw materials.

2. Agree with Gen. Airey's suggestion that "reasonable economic needs" be substituted for "indispensable needs" para 2A draft text.

3. Possibility arrangement under which currency supplied to AMG directly by Ital Govt should be explored. Procurement necessary currency would then be matter internal arrangement between Ital Govt and Bank of Italy. FTT obligation toward Ital Govt would remain for future settlement. Such intergovernmental arrangement seems to have advantages of 1) offering possibility future settlement on more flexible basis than if FTT obligation to Bank of Italy through Trieste branch and 2) obviating necessity for issue of FTT interest bearing bonds. Also suggest that agreement reiterate provision of Annex 7 Art 11 Peace Treaty that any settlement for currency advanced shall be between Govt of Italy and Govt of FTT. Not intended that US or UK Govt undertake any obligation to settle for currency advanced.

MARSHALL

860S.00/1-1248 : Telegram

U.S. Political Adviser Mr. Robert P. Joyce, to the Commander, British-United States Zone, Free Territory of Trieste (Airey) to the Secretary of State

TOP SECRET URGENT

TRIESTE, January 12, 1948—5 p. m.

21. For Kennan and Bohlen. Remytels 17 of January 10,¹ 1 p. m. and 18 of January 12,² 1 p. m. 1. We believe here that for the reasons

¹In this telegram, not printed, Joyce depicted the attitude of the Italian Government as explained by Guidotti, Chief of the Italian Economic Mission in Trieste. A) Italy's views had hardened. B) Italy maintained the position that its obligations under article 11 of the treaty were merely to supply currency for circulation on the same basis as for any comparable area of Italy. C) Italy did not consider that the article imposed any obligation to meet the budgetary deficiency of AMG, and in any case Italy's finances were such that it could not assume such a commitment. D) Any negotiations looking toward sharing of the burden of AMG by Italy were bound to be protracted, and could not provide a solution for financing the UK-US Zone for the coming months. (860S.51/1-1048)

²In this telegram, not printed, Joyce warned that if funds to finance AMG were not forthcoming by January 15: it would be necessary, in order to pay salaries and wages of police and other local employees, to postpone again the settlement with local creditors; to suspend all public works, thereby increasing hard core unemployment; and that public confidence in the Anglo-American administration would be undermined at a very critical time (860S.51/1-1248).

set forth Paragraph III mytel 180 of November 22, 11 a. m.³ Trieste situation has unfortunately been allowed to drift until we now face a really serious condition which threatens completely to undermine the Anglo-American position unless something is done immediately. In the absence of a governor for FTT AMG has increasingly tended to become a UK-US financial commitment and the CCS reliance upon Article 11 of Annex VII of Italian treaty has not been realistic in the sense that Italy has no intention to assume the financial burden of AMG here. Although realizing clearly that their presence represents only real protection for about 300,000 Italians this area, the Rome Government is broke and unwilling to assume the financial burden and does not consider Article 11 binds it *too* close.

2. If more money is expected from Rome we believe that either pressure must be applied outside terms of reference of present negotiations or Italy will expect Anglo-American political quid pro quo to the effect in treaty revision Italy will obtain return of Trieste area. Italy otherwise will sorrowfully bid farewell to her Triestine and Istrian children and commit them to the care and expense of the UN or US/UK Governments.

3. If not considered politic or expedient to exert pressure on Rome at this critical time for Italy some other way must be found immediately to produce the money to pay for AMG. Perhaps Department of Army could find a few millions to tide AMG over as a military commitment until permanent solution reached. Perhaps some fiscal agency or bank in Washington could loan AMG money with US Government going on the note. It might be possible in some way to earmark some of interim aid to Italy for use of AMG Trieste.

4. General Airey would deeply appreciate cabled reply.⁴

Joyce

³ *Foreign Relations*, 1947, vol. iv, p. 127.

⁴ In telegram 7 of January 7, not printed, Joyce had warned that General Airey would face a crisis within 8 days unless funds were provided for financing AMG, and he mentioned that for six weeks Airey had been cabling the CCS about his financial problem (860S.00/1-748).

860S.5151/1-1348: Telegram

The Secretary of State to the Embassy in Italy

SECRET

URGENT

WASHINGTON, January 16, 1948—6 p. m.

121. For your info, following is text instructions which Dept has suggested be transmitted from CCAC to Gen Airey, re urtel 147 Jan 13,¹ repeated 13 Trieste, 9 Belgrade.

¹ In this telegram, not printed, Dunn reported having been informed that the Italian Government had suggested to the British that there be two agreements (860S.5151/1-1348).

Reference: Taf 67.²

1. You are authorized to agree to proposal, if advanced by Italians, that there be two separate agreements to cover arrangements for supply of currency to UK-US Zone, FTT (Para 7 Taf 67).³ First agreement should merely reiterate language Art 11 Annex 7 and neither agreement should in any way imply or reflect AMG acceptance Ital interpretation Peace Treaty obligation under this Article. (Para 9B)

2. Re Ital suggestion that second agreement "be in the nature of a private one between the Ital Govt and AMG" (Para 7B Taf 67) and US-UK Embs recommendation that no commitment be made to keep second agreement secret, in view of difficulty if not impossibility fulfillment such commitment (Para 9D), suggest that Ital authorities be informed in connection with discussion second agreement that while considerations leading them to desire "private" arrangement with AMG fully appreciated, problem keeping details such arrangement from becoming known complicated by US-UK undertaking to UN Security Council to keep Council informed of details of administration of UK-US Zone. While you should, therefore, make no commitment that agreement arrived at will be kept secret, we are prepared further to consider any specific suggestions Ital authorities may care to make in this connection.

3. Completely agree with US-UK Embs' recommendations contained Para 9 A, B and E Taf 67.⁴

Repeated to Trieste as 223 and to Belgrade as 233.

MARSHALL

² Of January 14, 1948, not printed.

³ Paragraph 7 reads: "... Italian Government was considering possibility of meeting AMG's currency requirements by means of two separate agreements on following lines:

(A) An undertaking by Italian Government to give effect to Article 11 without defining the extent of its obligations under that Article. This undertaking would in practice only cover the supply of currency for banking operations and could be made applicable to both zones should the Italian ultimately be unable to resist Yugoslav pressure on them to do so.

(B) A second agreement covering the supply of currency to meet the AMG deficit, on the lines of the draft already presented but so framed as to omit reference to Article 11. This agreement would be in the nature of a private one between the Italian Government and AMG, and as such would be less liable than the first agreement to have to be repeated in case of Yugoslavs."

⁴ These paragraphs read as follows:

(A) "Both currency agreements should be signed by me, as head of AMG, or by my authorized representative and not by representatives of US and British Governments."

(B) "Acceptance by AMG of Italian interpretation of their obligations under Article 11 (see para 4 above) is in no way stated or implied in either agreement."

(E) "That, in order to avoid confusing issue, unless Italians themselves raise the question, I should not press for conclusion of foreign exchange agreement until main problem of currency is settled."

860S.00/2-1348

*Memorandum by the Assistant Secretary for Economic Affairs
(Thorp)¹ to the Under Secretary of State*

CONFIDENTIAL

[WASHINGTON,] February 13, 1948.

Subject: Trieste Aid Program

The Problem

Trieste does not now have a viable economy; it needs economic assistance both for current relief and for rehabilitation. While a permanent solution of Trieste's economic problems can probably only be found in a revival of trade with both eastern and western European states, the United States is committed to keeping Trieste on its economic feet in the immediate future.

Shipments of food and certain other essential civilian supplies to the portion of the Free Territory of Trieste which is under US-UK administration are now being financed out of the post-UNRRA relief appropriation (Public Law 84).² Available funds will cover shipments through the first quarter of 1948, but fresh funds will be needed for at least part of the second quarter and for the next fiscal year.

No provision for financing supplies for Trieste beyond March 31 has been made in our current legislative program. The Department has informed the War Department that it will assume responsibility for doing so. It has also included an estimate of Trieste's needs in the supplemental aid program estimates submitted to Senator Vandenberg and Representative Eaton.

The Free Territory of Trieste is to be named in the ERP legislation so that it will qualify for aid after acceptance as a participant in CEEC (either as a US-UK zone of occupation, like Western Germany, or after a Governor is appointed). Funds for Trieste supplies are not, however, included in the \$6.8 billion for ERP. Even if they were, it would probably be inadvisable to suggest that CEEC accept Trieste without adequate discussion. Moreover, it is imperative that funds be obtained for Trieste by April 1, without waiting for the completion of action on ERP.

The Facts

A statement of the facts bearing on the problem is attached as Tab A.

¹ On January 19, 1948 Thorp was also made Coordinator for the European Recovery Program.

² Approved May 31, 1947, 61 Stat. 125.

Discussion

Discussion of the problem is attached as Tab B.³

Recommendations

1. It is recommended that authorization be sought for a separate supply program for Trieste. Financing for this program could come from funds (\$57 millions) authorized under the Foreign Aid Act of 1947 (Public Law 389), but not yet appropriated. The amount required (estimated on an ERP level) has been tentatively estimated at \$33 million for the 15 months beginning April 1, 1948, the estimated deficit of Trieste with the Western Hemisphere countries for the period in question (see Tab C for details). If Trieste is subsequently admitted to CEEC, the funds would be transferred to the ERP appropriation. This program would be submitted to the NAC and the Budget Bureau.

2. It is recommended that this authorization be sought in the form of a bill simply amending Public Law 389 ⁴ to cover Trieste, to extend the period during which aid might be provided, and to make possible the provision of funds for recovery purposes. The amendments required are indicated in Tab D.

3. It is also recommended that the following steps be taken to bring Trieste within the ERP (it is already being named in the ERP legislation).

a. The US-UK military authorities in Trieste should be instructed to request the CEEC countries to permit the participation of the US-UK zone of Trieste in the European Recovery Program and should prepare the necessary supporting data.

b. The concurrence of the British to such instructions should be obtained and the support of other CEEC countries should be elicited through diplomatic channels.

Attachments: Tabs A, B, C, D.⁵

Tab A

FUNDS FOR TRIESTE SUPPLY PROGRAM

The Facts

1. The aid being furnished to Trieste at the present time involves shipments at an annual rate in the neighborhood of \$12,000,000. The

³ Tab B, not printed.

⁴ Approved December 17, 1947, "Interim Aid to bridge the gap between the end of the United States Foreign Relief Program authorized under Public Law 84, and the beginning of a general long-range program".

⁵ Tabs C and D, not printed.

exact rate is not entirely clear because of differences in the area covered and increases in the ration scale during the present fiscal year.

2. The amount of assistance being furnished under the present program will theoretically cover consumption requirements until about the end of June. However, if funds are not made available for use during the second quarter, the pipeline would run dry and stocks in the area would be entirely exhausted at that time.

3. There remains unallocated from the Foreign Relief Appropriation about \$1,000,000, to which may be added another \$1,000,000 which the Department hopes to recover from the Army. These sums might be used to meet the needs of Trieste in the second quarter. However, there are other demands on these sums, particularly for coal for Austria. Furthermore, even if the whole sum should be available, it would be inadequate to meet Trieste's needs for the second quarter, which are estimated at about \$4.8 million.

4. Tab C contains an estimate prepared in the Department of Trieste's requirements and balance-of-payments deficit for the 15 months period beginning April 1, 1948. These requirements have been based on an ERP standard. Briefly, they show a deficit in the balance-of-payments of \$40.9 million. This total represents a deficit with the Western Hemisphere of \$33 million, a deficit with CEEC countries of \$8.5 million, and a surplus with countries not participants in CEEC of \$0.6 million. The major part of the deficit with CEEC countries is with Italy. Total requirements of food, medical supplies, fibers and fuel amount to \$40.6 million, of which \$22.6 million is from Western Hemisphere sources.

5. The estimates contained in Tab C are somewhat tentative. In particular, it should be noted that a small Anglo-American mission is now examining the requirements for recovery. The needs shown for raw materials and equipment for reconstruction will have to be reviewed in the light of the report of this mission, which will not be available for some weeks.

6. Trieste's financial problems were examined early in 1947 by a Four Power Commission established by the Council of Foreign Ministers. The Commission drew up a tentative estimate of the balance of payments of the Free Territory for the fiscal year beginning July 1, 1947, on the assumption that the Italian Peace Treaty would have entered into force prior to that date. The estimate showed a slight surplus in the balance of payments for the year as a whole, but the British, French, and American members reported that there would probably be a deficit of \$5,000,000 in the first quarter of the year. At the Moscow meeting of the CFM, the Council agreed to recommend to the United Nations that the sum of \$5,000,000 be advanced by UN

to the Governor of the Free Territory of Trieste if requested. Provision for such an advance was made in the UN budget for 1948.

7. The assumptions made in the report of the Trieste Commission of Enquiry were at the time clearly optimistic. Moreover, there were various points on which the Commission frankly admitted that its estimates were little better than guess work and would depend much on the attitude of other countries. In practice, the situation of Trieste has not developed in the manner foreshadowed in the Commission's report. The economy of the area is depressed, there is a large volume of unemployment, and the area continues to maintain a precarious existence only by reason of subsidies furnished by the United States and to some extent by Italy. With the end of UNRRA, port activity has slumped. Industrial production is understood to be about 40% of capacity. Employment is being maintained through a work relief program. Fundamentally, the solution to the economic problems of the area depends upon the restoration of active trade with countries in both the eastern and western orbits. However, the economic position of the city would be considerably improved if a greater volume of raw materials could be obtained for its industry and a certain amount of money invested in reconstruction.

8. Provision of dollar funds to cover Trieste's estimated \$33 million deficit with the Western Hemisphere countries would not provide for the \$8.5 deficit with CEEC countries. It is hoped that coverage of this deficit, which is largely with Italy, can be worked out in negotiations with the Italian Government.

9. The Peace Treaty with Italy provides that, pending the establishment of a separate currency for the Free Territory of Trieste (FTT), the lira will continue to be legal tender, and Italy is to meet the lira and foreign exchange needs of the area on a basis no less favorable than that accorded its own nationals.⁶ The provision of lira currency for the area is now under negotiation between the Allied Military Government and the Italian Government. Largely because of the low level of economic activity in the area, Military Government is confronted with substantial expenditures for work relief and has a large budgetary deficit. The Italian Government does not admit that it is obligated to meet this deficit under the Treaty. The outcome of these negotiations will have considerable bearing upon the extent to which it will be possible to obtain supplies from Italy by the expenditure of lire during the period immediately ahead.

10. Until such time as the Security Council appoints a Governor for FTT, governmental authority will continue to be exercised by the US-UK military authorities and Yugoslav military authorities in their

⁶ Article 11 of Annex VII of the Treaty of Peace with Italy.

respective zones. It seems unlikely that agreement on a Governor will be reached in the immediate future.

11. The \$5,000,000 which the General Assembly of the UN has authorized to be advanced to the FTT Government to meet the balance of payments deficit will not be available until the Governor is appointed. In view of the present situation in Trieste, these funds will be clearly inadequate to cover the deficit for more than a short period of time.⁷

⁷ See the letter of the Secretary of State to the President *pro tem* of the Senate, released to the press March 3, enclosing a draft bill to amend the foreign aid act of 1947 to provide assistance to the Free Territory of Trieste (Department of State *Bulletin*, March 14, 1948, p. 348).

8608.00/2-1948: Telegram

The United States Political Adviser (Joyce), at Trieste, to the Secretary of State

SECRET

TRIESTE, February 19, 1948—2 p. m.

80. For Counselor¹ and Director Policy Planning Staff.² Remytel 7 of January 7³ and my letter to Kennan forwarded from Trieste by courier and air pouch from Paris February 16.⁴

1. AMG again faces similar situation to that described mytel 7 and funds advanced by Italian treasury³ will after the most drastic cheese-paring be completely exhausted by about March 10. Rome negotiations still continuing with no assurance AMG will obtain adequate funds from Italian Govt to meet deficit and permit essential continuance public works projects and loans to industry.

2. By putting off creditors and robbing Peter to pay Paul, AMG is setting aside one half billion lire to make modest loans to local industries. These loans are in reality unemployment relief as medium size and small local industries cannot meet their payrolls and are stopped from dismissing workers except by complicated arbitration involving consent labor unions which naturally fight all dismissals. Local jute mill employing 480 workers yesterday received permission lay off only 22 employees but must receive AMG financial assistance to continue operation. This loan will open door to many other industries in financial straits. These loans are palliative and can only be extended by reducing public works projects which absorb unemployed and by refraining from further commitments in public works program.

3. Communist Sindicati Unici constantly threatens general strike and will obtain economic issue it seeks unless AMG can prevent indus-

¹ Charles E. Bohlen.

² George F. Kennan.

³ See footnote 4, p. 551.

⁴ Not found in Department of State files.

trial lay off and increasing unemployment. Non-Communist [Camera] del Lavoro Democrats with AMG now but probably could not be held in line if SU called general strike on genuine economic rather than political issue. The issue for military govt appears clearly to be assistance to industries by loans and continuance public works projects to keep down further unemployment which now stands at about 25,000.

4. Sindacati Unici controls Trieste port and general strike would make it virtually impossible to move military supplies for US forces Austria which enter this port and represent a 60% port activity. If general strike made it necessary reroute military supplies for Austria via Bremerhaven Trieste economy would receive staggering blow. Appreciate SU will nevertheless call strike whenever it receives directives from Belgrade and Rome in connection with rule or ruin strategy and fixed policy to undermine Anglo-American administration UK-US zone Trieste.

5. We consider here that lid must be kept on until Italian elections mid-April. Chief Italian economic delegation Guidotti states quite frankly we can expect little or no assistance from Rome for next 2 months as Rome Govt is straining every political and economic resource in preparation for elections. We are exploring every possibility of obtaining emergency economic assistance. Please refer mytels 17 of January 10, 18 of January 12, 21 of January 12, 31 of January 21, 37 of January 26, 46 of January 30, 53 of February 4, 54 of February 5, 60 of February 10, 71 of February 16, 75 of February 18.

6. We believe we can continue to control situation here and maintain security and integrity this zone for critical period of next 2 months but economic assistance from source other than Rome must be forthcoming immediately and before implementation of recommendations to be contained in Stopford-Hawes report ⁵ which will be presented to Washington about March 10. I venture urgent recommendation that General Airey's TAF cable Nr. 73 of 9 February ⁶ be considered immediately on policy level in Dept and his recommendations implemented at once.

⁵ A report by Robert Jemmet Stopford of the United Kingdom and Maurice Levy-Hawes of the Division of Financial Affairs, Department of State, who had visited Trieste in late January and early February to investigate the economic situation there (telegrams 46 and 102 from Trieste, January 30 and March 2, not printed, 860S.50/1-3048 and 860S.00/3-248).

⁶ Not printed; it contained the following recommendations: that the zone be given a margin of financial independence as insulation from outside political pressure; that the United States and the United Kingdom ensure that the Allied Military Government be in a position to carry through the recommendations of the Stopford-Hawes report on a reasonably long-term basis; that a high-grade economic expert be appointed to the permanent staff of the AMG; and that an officer from Airey's staff act as a liaison in Washington with the Combined Chiefs of Staff. (Department of Defense files)

7. General Airey has read foregoing and concurs.
Repeated Rome 30, Belgrade 21.

JOYCE

Editorial Note

On March 9, 1948 at Rome General Airey on behalf of the United Kingdom-United States Zone of the Free Territory of Trieste, and Del Vecchio for the Government of Italy signed a series of three agreements. The first was to regulate certain questions arising from the execution of the Treaty of Peace, the supplying of currency for the Zone. The second was to provide that the Zone receive adequate financing for the particular needs of its administration. The third stipulated that the Italian Government would provide for the foreign exchange needs of the Zone. A protocol signed at the same time stipulated that if the ultimate government of the Free Territory should not have been constituted by September 15, 1948, Italy reserved the right to request revision of the agreement on finance. The texts in Italian and in English are printed by the Italian Ministry of Foreign Affairs, *Trattati e Convenzioni*, 1948 (Rome: Tipografia Riservata del Ministero Affari Esteri, 1948) "Accordo tra il Governo Italiano ed il Comando Militare Britannico e degli Stati Uniti relativo a Trieste, Roma, 9 marzo 1948."

860S.5151/3-548 : Telegram

*The Secretary of State to the United States Political Adviser (Joyce),
at Trieste*

CONFIDENTIAL URGENT WASHINGTON, March 9, 1948—6 p. m.

96. Urtel 108 March 5.¹ Confirm Deptel same date 91.² Proposed \$20 million program covers chiefly items now supplied PL 84. Tentative breakdown 15-month program follows (all figures in long tons):

Wheat 62,180, edible fats (lard) 3,820, horsemeat 810, milk, evaporated 5,090, pulses 5,100, coal 240,000 and industrial fats 900. Also \$315 thousand for medical supplies and \$200 thousand for fibers incentive and other goods.

Sent to Rome.

MARSHALL

¹ In this telegram, not printed, Joyce referred to a report that Secretary Marshall requested Congress for \$20 million for Trieste through the fiscal year 1949. He asked about the specific purpose of this sum: to combat disease and unrest, or to foster economic rehabilitation. (860S.5151/3-548)

² Not printed.

840.50 Recovery/4-2348: Telegram

The Acting Secretary of State to the Embassy in Italy

CONFIDENTIAL

WASHINGTON, April 23, 1948—7 p. m.

1192. Dept considering recommending to OEEC members that they invite US-UK Zone Trieste become member OEEC. Objective would be to integrate Trieste in Western European economy and enable US broaden assistance from present relief to ECA recovery basis. See Trieste's telegram repeated you as 81 of April 17.¹

Dept sees no prejudice in such action to eventual reincorporation Trieste in Italy, but possible long delay in reincorporation suggests advisability acting now. Proposal in OEEC would be accompanied by affirmation that no change position France, UK or US as to ultimate status Trieste is implied.

Possible admission Trieste now being explored informally with OEEC membership. If no opposition encountered, it is Dept's understanding that, once OEEC established by ratification charter by 10 members, admission could take place by decision Organization's council. May require several months in all.

Your views on proposed admission Trieste to OEEC are requested, as well as informal views Italian officials. In discussion with latter it should be emphasized that this proposal has objective of bringing Trieste closer to West rather than further separation from Italy and represents no change in our resolve to see Trieste returned to Italy at earliest possible time.

LOVETT

¹ Not printed.

860S.00/5-548: Telegram

The United States Political Adviser (Joyce), at Trieste, to the Secretary of State

SECRET

TRIESTE, May 5, 1948—5 p. m.

264. Re Rome's No. 1997 May 1.¹ My next succeeding telegram commenting on Rome's No. 1997 from an economic and fiscal viewpoint was prepared at my request by FSO Ivan White Director of Finance and Economics of AMG. White's message has my concurrence and was discussed with and approved by head of AMG Trieste who is American Brigadier General.²

I have not taken up officially with General Airey contents Rome's

¹ Not printed; in it Dunn forwarded the arguments brought up by officers of the Italian Foreign Ministry against the inclusion of the Zone in OEEC (840.50 Recovery/4-2948).

² Brig. Gen. Ridgely Gaither, U.S.A.

1997 but I am confident that the following observations from a political point of view would have his entire approval :

1. Italian Government's position apparently supported by Rome Embassy if accepted would effectively destroy last vestige of Anglo-American independent administration British-US zone FTT. Embassy's message apparently does not taken into account the fact that Airey's administration this zone has invariably done its utmost to follow and support Washington and London Italian policy.

2. Rome's government's policy appears to be entirely incompatible with Anglo-American position under the as yet unrevised peace treaty.

3. With regard to Italian Government line that wherever possible "FTT for practical purposes is still part of Italy" I can only state that acceptance of such a position would mean abdication of Anglo-American control in this sensitive area. In addition, new Italian Government after electoral victory will almost certainly take a much stronger attitude toward Yugoslavia relying on economic, political and perhaps even military support from western democracies. Effective economic and political control of British-US zone FTT from Rome would mean that we should be at the mercy of vagaries of Italian politics and that Italian policy in this area inevitably has to be supported by American and British troops acting as police force for Rome.

4. We feel here that under great difficulties there has slowly been built up a sound, efficient and above all secure administration and should the government at Rome be successful in obtaining "practical hegemony" over this zone the entire Anglo-American position would not only be undermined but would immediately become seriously endangered.

5. It should not be forgotten that in any serious deterioration of Italo-Yugoslav relations in this area the British-US zones power and even water supply is dependent upon Yugoslavia.

It is earnestly recommended that the basic considerations set forth in the Department's No. 1192 of April 24 to Rome be adhered to as essential for the maintenance of the Anglo-American position in Trieste and that the recommendations set forth in Rome's No. 1997 to Department should not be accepted.

Sent Department as 264; repeated Rome 98, Paris 36, London 27.

JOYCE

S40.50 Recovery/5-1348

The Secretary of State to the Chief, Civil Affairs Division, Department of the Army (Noce)

WASHINGTON, May 13, 1948.

MY DEAR GENERAL NOCE: The Foreign Assistance Act of 1948, Title I, Section 103 (b) provides that until such time as the Free Territory of Trieste or either of its Zones become eligible for assistance as a

participating country, assistance is authorized under the Foreign Aid Act of 1947 until June 30, 1949, and the said Foreign Aid Act of 1947 is amended accordingly, and not to exceed \$20,000,000 out of funds authorized to be advanced by the Reconstruction Finance Corporation or under Subsection (d) of Section 11 of the Foreign Aid Act of 1947 may be utilized for the purposes of this subsection, subject to certain provisions as set forth in Section 103 (b) of the Foreign Assistance Act of 1948.

Neither the Free Territory of Trieste nor either of its Zones is as yet eligible for assistance as a participating country. In order to enable the Administrator to make assistance available to the Free Territory of Trieste or either of its Zones, it will be necessary for the United States Government to receive assurance from the Combined Chiefs of Staff that the Commander, British-United States Forces, Free Territory of Trieste, as the responsible governing authority of the Zone, will undertake to comply with the provisions of the Foreign Assistance Act of 1948 and the Foreign Aid Act of 1947 as cited in the foregoing paragraph.

The conditions of assistance to the U.S.-U.K. Zone of Trieste under the Act have been set forth in the attached proposed "Message for the Commander, British-United States Forces, Free Territory of Trieste",¹ which is respectfully submitted herewith for consideration by the Combined Chiefs of Staff.

Upon notification to the Department by the Combined Chiefs of Staff that the Commander has been directed to comply with the conditions set forth in the proposed directive, the Administrator of the Economic Cooperation Administration² will be apprised and thereby enabled to initiate assistance to the U.S.-U.K. Zone of the Territory under the Act.³

Sincerely yours,

For the Secretary of State:
JOHN D. HICKERSON

¹ Not printed.

² Paul G. Hoffman.

³ A letter sent by Paul H. Nitze, Special Assistant to the Under Secretary, to Wayne C. Taylor, Director of the Office of Financial Operations, E.C.A., May 26, 1948, not printed, stated that the CCS had on May 25 sent a message to General Airey directing him to insure compliance with the relevant provisions of the Foreign Assistance and Foreign Aid Acts (S40.50 Recovery/5-1348).

A memorandum of June 2 from James R. Brooks of ECA to Wayne G. Jackson of the Department of State, not printed, stated that the British-United States Zone of the F.T.T. had been qualified for assistance under section 103 (b) of the Economic Cooperation Act as of that date (S60S.00/6-248).

840.50 Recovery/5-1448 : Telegram

*The Secretary of State to the Embassy in Italy*¹

SECRET

WASHINGTON, May 26, 1948—6 p. m.

1479. Dept welcomes Italian suggestion reurtel 2205, May 14² that proposal for membership US-UK Zone, FTT, in OEEC should come from Italian Govt and that Italian desire assist Trieste should be emphasized and reference made to close economic relations Italy and Trieste, to extent that there is no conflict with peace treaty terms. Second proposal reftel also supported although any US statement would of course have to be made outside OEEC. US in fact expects on every suitable occasion to emphasize that Trieste membership OEEC implies no change in policy established by tri-partite declaration. You should inform Italian Govt of foregoing and express US appreciation their willingness to take initiative this matter.

Dept believes that Trieste representation on OEEC Executive Committee inappropriate but otherwise considers direct Trieste representation OEEC Council and working bodies required rather than indirectly "through" Italian Govt as suggested point 3 reftel. You should explore with Italian Govt substitute formula under which Zone representatives at OEEC would be committed to continuous consultation with Italian representatives to coordinate policies and actions in their mutual interest.

Policies outlined above discussed with UK representatives and have their concurrence. Dept asking Paris ascertain views French. Take no action foregoing until further word from Dept.

Italian Govt may wish to consider whether proposal for admission OEEC should refer to whole FTT or only US-UK Zone.

MARSHALL

¹ This telegram was repeated to Trieste as 262, to Paris as 1819, to London as 1928, to Belgrade as 251, and USUN as 330.

² Not printed.

860S.5151/6-2548 : Telegram

*The Secretary of State to the United States Political Adviser (Joyce),
at Trieste*

CONFIDENTIAL

WASHINGTON, June 25, 1948—7 p. m.

319. The Dept has requested the Brit Emb here to transmit the following to London :

"The Department of State proposes to the British Foreign Office the adoption of the following to serve as an agreed US-UK position

regarding financial and economic policy for the British-US Zone, Free Territory of Trieste:

1. In view of their occupation and governing responsibilities, the US and UK Govts will give special consideration to the Zone in financial and economic matters, as outlined below, with a view to raising, wherever possible, industrial output and trade at least to pre-war levels as has already been achieved by such countries as France and Belgium.

2. The US-UK Govts take note of the basic economic recovery program for Trieste as transmitted to the Combined Chiefs of Staff by Taf 107¹ and propose the following specific measures:

a. That the negotiations with the Ital Govt on finance and foreign exchange which reached three initial agreements on March 9, 1948, be resumed early in July in order to clear up the question of troop pay which was left unsettled and to seek the concurrence of the Ital Govt in an interpretation of a provision of the Agreement dealing with foreign exchange, as follows

(1) That 50 percent of the dollars and sterling received by the Zone for the lire expenditures of the US and UK forces for supplies, services and facilities be retained by Allied Military Government. The balance would be transferred to the Ital exchange authority.

(2) That the following provision of the foreign exchange Agreement of March 9, 1948:

The Command of the Zone shall however retain for such disposition as it may consider appropriate any special dollar or sterling grants or advances which it may receive as international aid, which for the purpose of this Agreement shall not be deemed to be current earnings.

be interpreted to mean that any foreign exchange earnings arising from the use of such special dollar or sterling advances shall also be retained for disposition by the Command of the Zone in order to provide for the repayment of such advances.

b. That AMG, to the extent practicable, take measures to put into appropriate use assets held abroad by residents of the Zone and that residents of the Zone owning blocked dollar assets in the US be given the option of (1) selling their dollars to AMG for lire, or (2) placing them in an AMG revolving fund to finance Trieste processing industries. Such foreign exchange resources are not considered current earnings in the sense of the foreign exchange agreement of March 9, 1948.

c. That during the hiatus period, which is assumed to be July 1 to September 30, 1948, when Trieste will be operating outside commodity allocations recommended by OEEC or established by ECE, special provision for allocations be established for Trieste by the US and UK Govts as follows:

(1) That a recommendation be made to the United States Dept of Commerce that for this period export licenses be granted to

¹ Not printed.

Trieste for 1,500 tons of steel of shipbuilding types and reasonable quantities of Douglas fir and other essential materials, to be financed from 'a(1)' above or possibly by ECA after Trieste admission to OEEC;

(2) That for this period the UK Govt establish a special allocation of 3,000 tons of steel products of shipbuilding types to be financed from 'a(1)' above or possibly by ECA after Trieste admission to OEEC;

(3) That for this period the UK Govt make a special allocation of 55,500 tons of coal, of which 40,500 tons must be metallurgical coking coal, to be financed from (1) the \$144,168 contribution offered by the UK in the note from the Brit Emb dated June 1, 1948, (2) the proceeds of troop pay as in 'a(1)' above, and if necessary (3) an ECA off-shore purchase in dollars.

d. That OFLC be approached with a view to concluding an agreement for the transfer to AMG, under terms of payment to be agreed, of US property in Trieste which has been or may in the future be declared surplus; provided that the Ital Govt agrees to assume whatever obligation relating to this transfer would remain at such time as Italy might succeed AMG as the governing authority in the Free Territory.

e. That the ECA and US and UK military authorities in Austria and Germany be approached with a view to concluding arrangements under which the port facilities of Trieste will be used to the maximum extent possible for transit trade with Austria and Germany, and that the petroleum and vegetable oil refining facilities of Trieste be utilized to process products for those same areas.

f. That it be recommended to ECA that the local currency counterpart of ECA grants to the Zone be utilized (1) for investment to improve the Zone's industrial productive facilities, and (2) if necessary to assist in providing working capital for ERP industries in Trieste.

g. That the base figure, recommended in the Stopford-Hawes report, of 25 billion lire, be adopted as a basis for requests to the Ital Govt under the currency agreement of Mar 9, 1948; provided, however, that AMG be directed to explore all possibilities of reducing this amount through economies in expenditures, improvement in tax collections and other appropriate measures. Joint discussions should be held between AMG and the Ital Govt on this matter early in July. It is understood that this amount is exclusive of lire for shipbuilding financing which will be dealt with in separate negotiations.

h. That the fund specified in the foregoing para be advanced by the Ital Govt to AMG in quarterly allotments at the beginning of each quarter, effective July 1, 1948; and that any savings which can be effected as outlined in the foregoing para be deducted from the amount to be made available for the quarters following the quarter beginning July 1.

i. That a special effort be made to meet the key civilian personnel requirements as requested by the Zone Command, with the Brit Govt filling the positions of chief of the Dept of Industry and chief of the section in the Secretariat dealing with external financial and trade

matters, and that the US Govt fill the positions of special asst, and chief of the section of the Secretariat responsible for programming, and that the position of chief, Dept of Finance, be filled, as suggested by the UK Govt (Battensby).

j. That the foregoing be sent to the Amer and Brit Embs at Rome for their guidance in giving dipl support to the Reps of the Zone Command in the latter's negotiations with the Ital Govt in pursuance of those of the foregoing points which require Ital implementation or concurrence.

k. That the Zone Commander be informed of the agreement reached by the UK and US Govts; that at the same time the Commander be reminded of the tripartite declaration of Mar 20 looking toward the reincorporation of Trieste in Italy and be directed to continue to frame his policies in the light of this declaration and to work in close consultation with the Govt of Italy in all matters concerning Trieste administration which are of interest to Italy, including those which will concern Italy as the probable successor to AMG in the Free Territory."

In accordance with your 359 June 19² White will proceed to Trieste, arriving there on or about June 30.

Sent Trieste as 319 rptd Rome as 1747.³

MARSHALL

² Not printed.

³ The Department's telegram 333 of July 6 to Trieste, not printed, proposed a series of amendments to this draft statement (860S.5151/6-1948).

840.50 Recovery/7-348: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL

ROME, July 3, 1948—2 p. m.

2879. Following are specific comments with respect proposals contained urtel 1747 dated June 25,¹ transmitted to British:

(1) Proposal to divide foreign exchange proceeds lira expenditures of US-UK military equally between AMG and Italian Government might be useful compromise in view probability Italian Government likely to oppose strongly any proposal decreasing flow of current foreign exchange earnings from Anglo-American zone FTT. In view of obligation to supply local currency and foreign exchange requirements Italian Government likely to find proposal somewhat inconsistent.

(2) Proposal regarding blocked assets held by Triestini does not take into account varying nature of such assets, particularly those in form of real estate holdings and participation in income from estates. Desirability of liquidating income-earning assets not clear. Perhaps same program adopted by Italian Government might be put into effect in Anglo-American zone FTT. This would make possible pooling

¹ *Supra*.

liquid assets and also provide flexibility regarding handling less liquid forms of assets held in US otherwise, incentive would exist to evade AMG control and to enter under Italian program.

(3) Proposal in Paragraph 2 (c) for period July 1 to September 3, 1948 not entirely clear since it would appear that while Anglo-American zone FTT would be operating outside the commodity allocations "recommended by OEEC or established by", financing of allocations recommended might take place after FTT admission to OEEC. Time sequence not clear.

(4) Subparagraphs (f) and (g) should be integrated since it is provided for use of local currency proceeds for investment or working capital for "ERP industries" on one hand, and on other hand an expenditure of 25 billion lire under currency agreement of March 1948 which it is apparently recognized may be excessive. Moreover, provision of lire for shipbuilding is treated separately. Net effect of such apparently uncoordinated lire expenditures may be to increase substantially deficit financing in Anglo-American zone and considerably beyond any level which would be acceptable to Italian Government on basis of its obligations and undertakings.

Embassy feels that approach indicated in Deptel 1747 may not be consistent with premises underlying foreign exchange and currency agreements, and appears to constitute a step towards the economic and financial separation of the Anglo-American zone from the remainder of Italy. The broad language of the foreign exchange and currency agreements would appear to provide the basis for a viable economic and financial policy of the zone. Department will appreciate that Italian Government has every interest in promoting prosperity of the zone from political point of view.

Type of program proposed in Deptel 1747 will not be convincing to Italian Government. On basis of outstanding agreements Italian Government waives all claims to any benefits from direct grants or aid to FTT. Under proposed plan it would (a) waive 50% of current foreign exchange earnings deriving from troop pay and services, (b) agree to separate programming of import requirements within framework of independent economic policy premised upon ultimate autonomy from Italy, and (c) force liquidation of blocked assets in US held by Triestini, with accrual to FTT pool perhaps for immediate expenditures of proceeds. At same time Italian Government is required to supply (a) current foreign exchange requirements on terms no-less-favorable than in Italy, and (b) all local currency requirements which, incidentally, are spendable in Italy for essential imports. Program appears to lack inner consistency and generally understates the possibility of solving economic and financial problems of Anglo-American zone through close cooperation with Italian Government in the spirit of foreign exchange and currency agreements, as well as the tripartite declaration.

Incidentally, Embassy has never received copy of Stopford-Hawes report.

Inform Treasury from Tasca.

DUNN

860S.5151/7-1048: Telegram

The Secretary of State to the Embassy in Italy

SECRET URGENT

WASHINGTON, July 10, 1948—noon.

1849. 1) Relationship of proposals outlined Deptel 1747 June 25¹ to question general Trieste relations with Italy and specifically to Mar 9 foreign exchange and currency agreements exhaustively considered in Dept prior to their transmission to Brit.

2) Dept does not agree that general line of action envisaged in reference proposals constitutes step toward economic and financial separation of UK-US zone from Italy (urtel 2879 Jul 3) and that it is therefore contrary to the spirit of the tripartite declaration on Trieste. Dept moreover does not regard goal set by Triparite declaration as meaning that AMG should take no independent steps to foster economic recovery in Trieste.

3) As indicated Deptel 1748 June 25 (repeated Trieste as 320)² Dept envisaged Points 2 *a*, *g*, and *h* as principal subjects AMG-Ital discussions. Proposals contained these points were developed precisely with an eye to further implementation of the foreign exchange and currency agreements along lines that would permit Trieste operation to progress from mere hand to mouth existence.

Re comments contained penultimate para urtel 2879 (*a*) true that Itals in for exchange agreement formally waived all claims to any direct foreign exchange grants or aid to FTT. However, since Ital Gov could hardly maintain case for surrender to it by FTT of such grants or aid to help cover Ital deficit difficult to see that Itals made any concession by such waiver. (*b*) Info available to Dept indicates that operation of foreign exchange agreement has resulted in relatively large net contribution of foreign exchange by FTT to Italy. Compromise of unsettled question of disposition of foreign exchange earnings from troop pay and services on basis 50-50 split would still leave Italy substantial for exchange income from Trieste. (*c*) Re Point 2 *f* and *g* Deptel 1747, estimate of 25 billion lire as basis for request to Ital Govt did in large part take account of availability of local currency counterpart of grant assistance to FTT. Stopford-Hawes report, copy of which has now been sent you, assumed that 4 billion lire

¹ Same as telegram 319, p. 563.

² Not printed.

annually would accrue AMG from sale of grant assistance valued at about \$18 million and calculated that 25 billion deficit nevertheless had to be met in addition exclusive of lire for shipbuilding financing. Re Emb comment that Ital Govt required supply all local currency needs, ability AMG to reduce deficit financing to any substantial degree depends at least in part on willingness of Itals to agree to reforms justified on fiscal grounds but perhaps debatable owing political repercussions.

4) Emb therefore authorized in concert with Brit Emb to arrange with Ital authorities for necessary meetings with AMG officials as soon as possible and to extend to AMG all possible assistance during these discussions.

Sent Rome 1849 rptd Trieste 341.

MARSHALL

S60S.51/7-314S : Telegram

The Chargé in Italy (Byington) to the Secretary of State

RESTRICTED URGENT

ROME, July 31, 1948—6 p. m

3246. For Dowling and Unger SE from White. Agreement between AMG Trieste and Italian Government in English and Italian language texts initialled Rome July 31. English text follows:

"Part One. Local currency requirements. In pursuance of Article III of the Agreement on Finance of March 9, 1948, the Italian Government and the Command of the Zone agree as follows: Sub-item follows:

1. The agreed budget of the Zone for the period July 1 to December 31, 1948 is:

<i>a.</i> Ordinary expenditures—lire	8,259,889,335.
<i>b.</i> Ordinary receipts—lire	7,000,000,000.
<i>c.</i> Ordinary deficit—lire	1,259,889,335.
<i>d.</i> Extraordinary expenditures (net)—lire	5,700,000,000.
<i>e.</i> Movement of capital—lire	2,968,507,000.
<i>f.</i> Total net lire requirements—lire	9,928,396,335.

The foregoing estimate of revenues is based on the assumption that tax legislation and administration will be improved. Allied Military Government in pursuance of this objective will bring its revenue practices into line with those prevailing in Italy.

2. The Italian Government has suggested certain possible economies in the ordinary budget and agrees that such savings as may be effected in such budget may be applied by the Command of the Zone to provide the capital for a loan fund for small and medium-sized enterprise.

3. The Italian Government will meet the lire requirements specified in section 1(F).

4. The Italian Government, effective immediately, will supply the lire necessary to bring Allied Military Government's cash balance to 4.5 billion lire. Such portion of such funds as does not constitute a settlement of previous AMG budgets, will be considered a payment against the agreed budget listed in Section 1 above.

5. Additional payments within the limitations of the agreed budget will be made as follows :

- a. AMG undertakes to notify the Italian Treasury when its cash position falls below 4.5 billion lire;
- b. Upon receipt of this notification and before the cash balance falls below 4 billion lire, the Italian Treasury will advance additional funds to AMG.

6. The Zone Command undertakes to limit the use of funds received from the Italian Government under Section 1(E) above to the following purposes :

- (a) reconstruction of shipbuilding and ship repair facilities, and
- (b) operating capital for the shipbuilding and ship repair industries.

7. Repayment of advances made under Section 6 above will, when received by AMG, be treated as a budget receipt for the budgetary period in which such repayments are made.

8. The Command of the Zone agrees in principle to the desirability of modifying its price policy, as affecting food and other essential commodities, to conform with that of the Italian Government, insofar as the special conditions prevailing in Trieste permit. To this end it undertakes to conduct an immediate examination of the problem. The Italian Government stresses the necessity and urgency of reaching a solution of this problem. It is mutually understood that the advance listed in Section 1(E) above is limited to the six months' period and does not constitute a precedent.

Part Two. Foreign exchange requirements. In pursuance of the terms of Article I of the agreement on foreign exchange under which the Italian Government has declared its willingness to satisfy the foreign exchange needs of the zone, under conditions no less favorable than those applying in Italy, it is agreed that :

1. The Italian Exchange Control authority will meet the legitimate foreign exchange requirements of the zone, ERP industries included, as provided in the said Article I of the agreement, and

2. The Italian Exchange Control will grant a general license to the Command of the Zone, under which, for the year beginning 1 July 1948,

the Allied Military Government may, for its own account, or for the account of any ERP industry in the zone draw dollars and sterling up to a total of \$6 million or sterling equivalent for the purposes outlined in Paragraph 4 below.

3. Allied Military Government in any one month will not draw more exchange than \$500,000 provided, however, that additional sums may be drawn equivalent to unutilized balances from any previous months.

4. Allied Military Government will utilize these resources on the basis of the following procurement schedule (in dollars or dollar equivalents of sterling) :

- (a) coal—\$1,000,000;
- (b) steel, iron and steel products and tin plate—\$1,800,000;
- (c) Douglas fir and hardwoods—\$400,000;
- (d) non-ferrous and ferrous alloys—\$400,000;
- (e) tobacco—\$40,000;
- (f) freight—\$1,000,000;
- (g) machinery, equipment and miscellaneous industrials items—\$1,000,000.

5. Within the foregoing limitation of \$6 million, AMG is authorized to draw exchange to meet its contribution to the organization for European Economic Cooperation and a sum not to exceed \$10,000 to meet its representational expenses at the site of OEEC or in connection with the European Recovery Program outside zone or Italy.

6. It is agreed that as procurement conditions vary, AMG may vary the pattern of its procurement expenditures outlined above in an amount not to exceed 50% in the case of any one category.

7. Although in the normal course of business practices the zone's industries would be expected, on their own volition, to buy the items listed above in the Italian market whenever competitive drive and other conditions pointed to this course, AMG undertakes use due diligence to ascertain that no dollars or sterling are made available for specific purchases in cases where it can be determined that procurement can be made in the Italian market or through Italian trade agreements under equally favorable conditions, taking into account prices, dates of delivery, and quantities available.

8. During period covered by this understanding, the Command of the Zone will not ask for the settlement of the question of troop pay and services to the British and US forces, referred to in the protocol of signature which accompanied the agreement on foreign exchange, and the present procedure will remain in force.

9. Whereas, the US Government has determined that blocked dollar assets in the US of residents of Trieste are not to be considered as current earnings in the sense of the Foreign Exchange Agreement of

March 9, 1948, the determination of the utilization of such assets is a responsibility of AMG. In pursuance of Section 115 of the Economic Cooperation Act of 1948, the Allied Military Government will place dollar receipts from the liquidation of assets in the US in a revolving fund in the name of AMG for the financing of those of the zone's processing industries included in the European Recovery Program. This fund will be utilized for the financing of commodities not included in the schedule outlined in "4" above. In accordance with the suggestion of the Italian Government, the Allied Military Government will use Italian legislation as a pattern for the liquidation of blocked dollar assets in the US.

In the administration of this fund, it is mutually understood that:

- a. All net foreign exchange earnings of the fund, other than a 20% reserve against losses, will be sold to the Italian Exchange Control.
- b. The Allied Military Government will request the assistance of the Bank of Italy in the operational work of the fund.
- c. Allied Military Government will submit a monthly report of the activities of the fund and will discuss future fund operations with the Italian Government at the monthly meetings of the mixed commission to be established under the terms of this agreement.

10. The Italian Government agrees that the zone command may avail itself of the provisions of Article I of the Agreement on Foreign Exchange of March 9, 1948, to obtain such currency as is necessary to meet the service of dollar advances or loans received by the zone from ECA or the Exim Bank.

11. The Italian Government recommends to AMG the extension to imports of ERP goods into the zone of the same treatment accorded to imports of ERP goods into Italy. AMG is prepared to make such extension, subject to the obligations assumed by the Zone Command under the Economic Cooperation Act of 1948. The two governments undertake to discuss through the medium of the mixed commission referred to below, the means of implementing this arrangement to conform with Italian practice.

Part Three. Mixed commission. The Government of the Italian Republic and the Command of the Zone agree to participate in a mixed commission, which should meet once monthly in Rome to discuss economic and financial matters of mutual interest. The mixed commission will also have the responsibility of coordinating the respective ERP programs."

Foregoing subject ratification Italian Cabinet which will consider in next few days. I believe foregoing meets our requirements and unless Joyce receives telegram from you next few days indicating contrary we shall recommend ratification to General Airey. [White.]

BYINGTON

860S.51/8-1248: Telegram

*The Secretary of State to the United States Political Adviser (Joyce),
at Trieste*

CONFIDENTIAL

WASHINGTON, August 18, 1948—1 p. m.

418. Substance of proposed agreement transmitted Rome's tel 3246 of Jul 31 acceptable to Dept. Stop order on ratification (Deptel 2073 to Rome of Aug 6¹ and Paris 4178 to Dept of Aug 12 rpt Trieste as 45²) was required until outlines Trieste case SC more clearly defined. Dept considers proposed agreement in conformity peace treaty terms but in light of charges by Yugoslavs and Russians at SC some changes in language and emphasis are required to avoid possible embarrassment when agreement published.

You should explain this to Ital Govt and if possible secure their concurrence to put substance of agreement into effect at once, while negotiation proceeds on language changes suggested below. If necessary Airey could ratify, at same time making written reserve concerning language and with understanding that agreement as presently worded would not be published, reurtel 511 Aug 16.³

Following changes in language should be taken up with Ital Govt:
[Here follow the changes in language desired by the Department.]

Foregoing changes discussed with Brit Embassy. They will suggest that Foreign Office approach AmEmbassy for details. Our approval proceed with ratification with foregoing changes subject to Foreign Office comments.

Approval agreement also necessarily subject to interpretation, now under consideration of ECA Appropriations Act provision that 5 percent of local currency account be allocated for US Govt currency requirements in Zone. Unclear whether this requires account be used, as far as possible, to cover troop pay or whether US will continue buying troop pay lire with dollars. Assume latter is "present procedure" mentioned Art 8, Part Two of agreement. Implications this question for agreement under consideration as well as Mar 9 agreements obvious and early adoption interpretation will be urged.⁴

Sent Trieste 418, rptd Rome 2156, Paris 3178, London 3277.

MARSHALL

¹ This telegram, not printed, directed the Embassy to take further action with the agreement until further word from the Department (860S.51/7-348).

² In this telegram, not printed, Ambassador Caffery reported having received a telephone call from Trieste urging need of a solution, urging the need for lire and for dollars, and mentioning the growing skepticism in Trieste because of the lack of any visible sign of an ERP program (860S.5151/8-1248).

³ This telegram, not printed, reported that the Italian Cabinet had informally approved the Agreement of July 31; that formal ratification was expected any time (860S.51/8-1648).

⁴ The Department's telegram 2213 to Rome, August 26, not printed, directed the Embassy to approach the Italian Government with the view to securing revision of the currency and foreign exchange agreement in accordance with the instruction to Trieste (860S.51/8-1248).

860S.51/9-548 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL

ROME, September 5, 1948—noon.

3600. Amendments proposed Deptel 2156 August 18¹ to economic agreement between AMG (FTT) and Italian Government initialed July 31 were approved by Italian Government and initialed at Rome September 4 by Parsons for AMG and Bacci for Italian Government. Term "reasonable" was substituted for "legitimate" Article 1 of Part 2 from agreement but text included in confidential minutes (Deptel 2250 September 1)² initialed simultaneously. Text of latter follows:

"Confidential minutes of discussions held at Rome in connection with drafting of an economic agreement between representatives of Italian Government and of AMG British-US zone Free Territory of Trieste—

AMG and Italian Government, in spirit of tripartite declaration of 20 March 1948 and with intention of coordinating application of ERP in British-US zone of FTT with its application in Italy, affirm that following points of procedure will be observed in interpretation of agreement initialed on 31 July 1948 and subsequently amended on September 4, 1948:

1. The Allied Military Government's reforms in revenue practices will follow Italian pattern and will be discussed in general terms with Italian Government as they are formulated.

2. In accordance with suggestion of Italian Government, Allied Military Government will use Italian legislation as a pattern for liquidation of blocked dollar assets in U.S.

3. Allied Military Government will submit a monthly report of activities of fund referred to in Article 9 Part II of agreement and will discuss future operations of this fund with Italian Government at monthly meetings of mixed commission to be established under terms of agreement.

4. The two governments undertake to discuss through medium of mixed commission referred to in Part III of agreement, means of implementing arrangements set forth in Article 11, Part II of agreement to conform with Italian practice".

Sent Department 3600, repeated Trieste 47.

DUNN

¹ Same as 418, p. 573.

² Not printed.

840.50 Recovery/8-549 : Telegram

The Secretary of State to the Embassy in Italy

CONFIDENTIAL

WASHINGTON, September 9, 1948—6 p. m.

2301. If Itals still pressing for public announcement jointly with AMG (reurtel 3353 Aug 11,¹ 3294 Aug 5,² and 3132-A, Jul 22²) suggest text along lines following draft, to be released upon admission Trieste to OEEC: "Upon this occasion of admission of UK-US Zone, FTT to membership in OEEC, Command of Zone and Ital Govt reaffirm their policy of close and continual consultation on matters of mutual interest in economic field. Ital and UK-US Zone at present drawn together in one currency area and function under same foreign exchange and customs regimes, and economic programs of UK-US Zone relating to currency, foreign exchange and trade are matters of interest to Ital. Activities of UK-US Zone, in connection with ERP upon which the Zone now embarking, will raise numerous questions in abovementioned fields and will call for continual consultation with Ital Govt as recovery program of Zone is formulated and carried out."

Brit concur foregoing subject drafting changes. Unnecessary refer Ital Govt and AMG changes Dept if substance remains unaltered but they should avoid giving unwarranted opportunity for further Yugo charges.

MARSHALL

¹ Not found in Department of State files.

² Not printed.

Editorial Note

On September 22, 1948, a series of agreements were concluded between the Government of the United Kingdom-United States Zone of the Free Territory of Trieste and the Italian Government, signed respectively by General Gaither for the Zone and by Augusto Castellani for Italy. The agreements regulated local currency requirements and foreign exchange requirements of the Zone, and provided for a Mixed Commission to meet monthly in Rome. Two memoranda of understanding were also concluded at the same time. The texts in Italian and in English are printed by the Italian Ministry of Foreign Affairs, *Trattati e Convenzioni, 1948* (Rome: Tipografia Riservata del Ministero degli Affari Esteri, 1948) "Accordi fra il Governo Italiano e il Governo Militare Alleato della Zona Anglo-Americana di Trieste," Trieste 22 settembre 1948.

840.50 Recovery/10-1548 : Telegram

The United States Political Adviser (Joyce), at Trieste, to the Secretary of State

CONFIDENTIAL

TRIESTE, October 15, 1948—noon.

Niact 679. Remytel 673 of October 14.¹ General Airey and I at 9 o'clock this morning, Trieste time, signed bilateral agreement covering participation British/US zone FTT in Europe Recovery Program.²

Sent Department 679, repeated Paris 117.

JOYCE

¹ Not printed.

² For text, see Department of State Treaties and Other International Acts Series (TIAS) No. 1845, or 62 Stat. (pt. 3) 3026.

860S.51/12-248 : Telegram

The Chargé in Italy (Byington) to the Secretary of State

CONFIDENTIAL

ROME, December 2, 1948—7 p. m.

4520. British proposals as stated Embtel 4224 November 4¹ regarding supply lira currency Yugoslav Zone, FTT not for mere purpose embarrassing Yugoslavia (reurtel 2739 November 8)² but for purpose exploring issue since it was felt Yugoslavs might raise issue again in near future, possibly at Bled. British Embassy now points out that Yugoslavs have raised currency issue in report to Security Council on administration Yugoslav Zone, FTT³ pointing out that:

(1) In response Yugoslav Zone, FTT request for supply currency in accordance annex 7 article 11 peace treaty, Italian Government replied since currency other than Italian lira circulating Yugoslav Zone contrary annex 7 article 11, pre-condition for implementation article 11 nonexistent;

(2) Yugoslavs replied on January 7 along following lines:

- a. No change effected in Yugoslav Zone currency system subsequent to coming into force of peace treaty;
- b. Italian lira not deprived legal tender Yugoslav Zone;

¹ In this telegram, not printed, Ambassador Dunn explained the British view that the Italian argument was a weak one, that is the argument that Italy could not supply lire to the Yugoslav Zone because Yugoslav lire were already circulating there. Furthermore the British urged that an Italian offer to supply lire to the Yugoslav Zone on the same conditions as to the UK-US Zone would be declined by Yugoslavia thereby undermining the Yugoslav position at the United Nations. (860S.51/11-448)

² In this telegram, not printed, the Department indicated that it was not clear why the issue of supplying Italian lire to the Yugoslav Zone had arisen at this time, and stated that the Department preferred not to have the matter brought up at the Italo-Yugoslav conference of November 10. The Department suggested certain tactics in case the matter should be brought up by the Yugoslavs. (860D.51/11-448)

³ The report, not printed, was transmitted under cover of a letter dated November 1, 1948, addressed to the President of the Security Council, S/1066.

c. So-called "B lira" circulates in Yugoslav Zone. Nothing can be done to change this until Italian government carries out peace treaty obligations (annex 7 article 11) ;

d. Italian Government, under article 76, assumes full responsibility for "B lira".

In view of above, British Embassy here under instruction requests that Embassy join them in approach to Italian Government suggesting Italians reply unanswered Yugoslav note (see (2) above), indicating Italian Government prepared negotiate supply currency Yugoslav Zone on terms to be agreed.

Reference British proposal Embassy inclined favor policy of "letting well enough alone". In this connection Embassy feels that distinction should be made between Yugoslav charges against AMG, UK-US Zone as contained in Yugoslav memo to SC dated October 24,⁴ and accusations contained in Yugoslav report on administration of Yugoslav Zone. SC debate might best be limited to charges contained in Yugoslav memo to SC. Furthermore, US and UK need not undertake responsibility answering charges made against Italian Government.

With respect Yugoslav charges against Italian Government, indicated in first paragraph above, Embassy comments as follows :

(1) As indicated Embtel 4223 November 4, Embassy in agreement with UK view that there is some merit in Yugoslav position stated 2 (*a*, *b*, and *c*) above, i.e., that retention "B lira" can be justified on ground it is made necessary by Italian Government refusal supply currency as required by article 11.

(2) As for 2 (*d*) above, Embassy not convinced this article 76, paragraph 4 applies to allied military currency circulating in FTT. "Allied military currency issued in Italy" evidently does not apply to currency issued in ceded territories since responsibility for this currency lies with successor power. Furthermore, in other parts of peace treaty, when "Italy" used in broad sense to include territorial limits of Italy before coming into force of peace treaty, specific reference made to this point (see article 78, paragraph 7. Also as used in article 76, "Italy" appears to refer to territorial limits after coming into force of peace treaty). Peace treaty makes no mention of responsibility for lira in circulation in FTT when separate monetary system is established other than article 11, annex 7, which states currency supplied during provisional regime shall be subject such settlement as required between Italy and FTT.

Please instruct position to be taken regarding British request stated paragraph (2) above.

Inform Treasury.

Sent Department, repeated Paris for Gadel 712, Trieste 189.

BYINGTON

⁴Memorandum from the Ministry of Foreign Affairs of Yugoslavia to the President of the Security Council by telegram on October 24, 1948, S/1054, not printed. With corrections it was re-issued as S/1054/Corr. 1, November 2, 1948.

860S.5017/9-2548 : Telegram

*The Acting Secretary of State to the United States Political Adviser
(Joyce), at Trieste*

SECRET

WASHINGTON, December 3, 1948—5 p. m.

642. Following for despatch to AMG through Combined Chiefs already approved by Dept and under FonOff consideration :

References : Taf 144, 142, 140, 131, Fat 56.¹

"1. As we understand situation, modifications AMG price policy announced Sept 12 have in effect been forced by reversal of attitude Ital FonOff which as recently Sept 20 reaffirmed opposition to continuance of political prices in FTT. (USPolad Despatch 195 Sept 25).² Financial and economic agreements entered into by zone with Italy basis Annex VII of Treaty subjects administration zone to a considerable extent to Italian policy. However, when such policy marked by vacillation (in this case resulting from divergence of views within Ital Govt) which occasions similar vacillation in AMG policy, effectiveness of AMG administration in the zone and its ability discharge its responsibilities under ERP cannot but be impaired.

We not aware of any development of major significance since July 31 which would warrant Ital Govt reversing itself in matter subsidies. Retreat by Ital FonOff in face pressure from Camera not only permitted Camera to circumvent announced AMG policy this case but also may well prove precedent subsequent attempts by Trieste groups similarly influence policy by appeals Rome when they feel announced AMG policy does not serve their interests.

2. Subject your views, FonOff and State Dept would be prepared instruct UK and US Embs Rome inform Ital FonOff in any manner they might deem appropriate view of US-UK Govts that effectiveness Ital Govt and AMG jointly to deal coordinated manner with economic and political issues arising zone cannot but be reduced when policy marked by indecision and vacillation and UK and US particularly concerned when, as this instance, vacillation results appeals to Rome by groups in Trieste. Itals would also be informed that UK and US Govts would expect that courses action jointly agreed between Italy and AMG in the future will be pursued their intended ends barring unforeseen circumstances sufficiently significant require reappraisal of policy.

3. Prior receipt Taf 144 we were discussing but had not finally agreed on the following views : No useful purpose would be served by

¹ None printed.

² In this despatch, not printed, Joyce forwarded to the Department a copy of his memorandum of conversation with Guidotti on September 20 (860S.5017/9-2548).

refusing Camera demands re Fat subsidy provided Ital Govt furnished necessary funds, although we would not have favored request to the Ital Govt for such funds. If additional funds were not forthcoming we would have wished your position remain as stated para 4 Taf 142.³ If you had viewed seriously shortening of period during which Sept 12 subsidy level could have been maintained as result of your decision for higher subsidy for milk than first contemplated we would have supported your seeking from Ital Govt additional funds up to an amount representing this differential in milk subsidy.

4. Foregoing views were based (with advantage of hindsight) on our opinion no concessions to Camera in addition those implicit in July 31 agreement appeared necessary since Ital Govt had not yet made concrete offer provide sufficient funds meet Camera demands. We do appreciate that at time Camera approached Rome you may have felt probabilities were Itals would support Camera thus placing you most embarrassing position refuse Camera demands. Since Itals did not support Camera with concrete offer we could not understand why the position on the milk subsidy was modified as reported in Taf 142 particularly since impact this modification was apparently to shorten by some months period during which you would be able maintain level of prices announced on Sept 12.

5. However, in light of para 7 Taf 144 question of standing firm against both Camera and Ital FonOff appears no longer to be issue. We understand effect of your decisions on milk and fats is to shorten period during which Sept 12 subsidies can be maintained. If in your view this would warrant approach to Ital Govt designed elicit additional funds to extend modified subsidies through Dec 1949 we will authorize US and UK Embs support you in such approach. We should suppose that Ital Govt might be more likely take action provide necessary funds should such approach be prefaced by representations along lines para 2 above."

Repeat to AmEmbassy, Rome 2944

LOVETT

³ Paragraph 4 reads: "Further reductions in milk and fat prices would only be considered if Italians offered to furnish the extra funds necessary to maintain them until 30 June 1949 without reducing the 15 month period for which they have already undertaken to finance retention of prices announced September 12."

860S.51/12-248: Telegram

The Acting Secretary of State to the Embassy in Italy

CONFIDENTIAL

WASHINGTON, December 13, 1948—12 noon.

3018. Dept believes US, UK Ital interests Trieste better served by Ital offer supply currency Yugo Zone than by refusal tender such offer

on grounds dubious merit so far been maintained by Ital FonOff in response Yugo notes (re Embtel 4520 Dec 2). Ital position would appear more defensible should demand withdrawal circulation currency other than metropolitan lira be accompanied by offer negotiate mutually satisfactory agreement supply lira.

2. Dept believes position Itals either forestall or refute possible Yugo charge failure implement Art 11 Annex VII Peace Treaty enhanced if offer made Yugos along lines provisions Peace Treaty. UK and US on record that Art 11 Annex VII involves arrangements along lines Mar 9¹ and July 31² agreements US-UK Zone. Further, Depts legal opinion supports contention Art 76 para 4 does not oblige Ital assume responsibility Yugo lira. Either of foregoing could cause sufficient disagreement between Itals and Yugos to render most difficult if not impossible agreement on execution Art 11 Annex VI. [VII?] Should such disagreement result in Yugo charges that conditions attached by Itals to offer of currency violate intent Peace Treaty, US would support Itals against such charge. Should, on other hand, Yugos be willing accept integration financial system Zone B with that of Ital, Dept believes resulting advantages such as Ital inspection and measure control financial policy would outweigh burden on Italy. Likely contingencies that would follow Ital offer to Yugos suggest such offer should be made.

3. We agree with Brit view that in absence Ital offer supply lira Yugos can argue with considerable validity that retention Yugo lira Zone B after 15 Sept 1947, although inconsistent with Art 11 of Annex VII made necessary by Ital refusal supply currency as required by that Art.

4. To avoid interpretation Ital offer during Paris SC meetings as response Yugo complaint against Yugo report SC Dept believes delay in approach by Ital FonOff to Yugos along lines set forth paras 1-3 above until some weeks after close Paris sessions SC is in order. Brit here being so advised. Note received BrEmb 1 Dec contains apparently same points made by UK Emb to you and indicates desire for quick approach FonOff. After agreement here with BrEmb on substance approach to FonOff we will authorize you forthwith join UK Emb necessary representations to FonOff.³

LOVETT

¹ See editorial note, p. 559.

² See telegram 3246, July 31, p. 569.

³ In telegram 663 to Trieste, repeated to Rome as 3079, December 21, 1948, not printed, the Department of State explained that authorization to approach the Italian Government awaited clarification between the Department and the British Foreign Office regarding certain relevant wording of the Peace Treaty (860S.51/12-2148).

AUSTRIA

(See volume II, pages 1341-1535.)

BELGIUM

Editorial Note

Documentation on United States policy with respect to procurement of uranium from the Belgian Congo and cooperation with Belgium in the field of atomic energy is included in volume I in the compilation on foreign policy aspects of United States development of atomic energy.

AGREEMENT BETWEEN THE UNITED STATES AND BELGIUM RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80TH CONGRESS

[For text of Agreement, effected by exchange of notes signed at Brussels November 22 and 29, 1948, see Department of State, Treaties and Other International Acts Series No. 1906.]

AGREEMENT BETWEEN THE UNITED STATES AND BELGIUM RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80TH CONGRESS

[For text of Agreement, signed at Brussels July 2, 1948, see Department of State, Treaties and Other International Acts Series No. 1781.]

AGREEMENT BETWEEN THE UNITED STATES AND BELGIUM RESPECTING APPLICATION OF MOST-FAVORED-NATION TREATMENT IN TRADE RELATIONS TO AREAS UNDER OCCUPATION OR CONTROL

[For text of Agreement, effected by exchange of notes signed at Brussels July 2, 1948, see Department of State, Treaties and Other International Acts Series No. 1821.]

AGREEMENT BETWEEN THE UNITED STATES AND BELGIUM AND LUXEMBOURG RESPECTING A UNITED STATES EDUCATIONAL FOUNDATION IN BELGIUM

[For text of Agreement, signed at Brussels October 8, 1948, see Department of State, Treaties and Other International Acts Series No. 1860.]

**AGREEMENT BETWEEN THE UNITED STATES AND BELGIUM RE-
SPECTING PASSPORT VISAS**

[For text of Agreement, effected by exchange of notes dated at Washington October 12 and 26, 1948, see Department of State, Treaties and Other International Acts Series No. 1891.]

DENMARK

CONSULTATIONS WITH THE DANISH GOVERNMENT ON ARRANGEMENTS FOR THE DEFENSE OF GREENLAND AND ON DISPOSITION OF GERMAN REFUGEES IN DENMARK ¹

859B.20/1-2948

Memorandum of Conversation, by the Acting Chief of the Division of Northern European Affairs (Hulley)

TOP SECRET

[WASHINGTON,] January 29, 1948.

The Danish Ambassador ² talked with Mr. Lovett ³ January 29, 1948 for nearly two hours. He said that he spoke as the representative of his Government, as a friend of the United States, and as a personal friend of Mr. Lovett. He would discuss three problems, namely, Greenland, German refugees, and compensation for requisitioned ships. He then took up these problems in inverse order.

GERMAN REFUGEES IN DENMARK

The Ambassador emphasized Danish inability to understand why the United States Zone in Germany could not take the small number of 8,000 or 10,000 refugees and in cooperation with the other Zones enable Denmark to get rid of this unfair burden which it had carried for two and one-half years.

Mr. Lovett said that he had been conducting a crusade to relieve Denmark of these refugees, and that both he and the Secretary had thrown their full weight behind the Danish request. They had not succeeded so far because of the extremely serious problem in Germany which he feared was not adequately understood in Denmark. Mr. Lovett pointed out that the American Zone has already received refugees from other countries and that more refugees continue to infiltrate. The problem was complicated by our now taking over financial responsibility for the British Zone so that our occupation of Germany is costing \$1,250,000,000 a year. Acceptance of additional refugees into the British Zone would mean their support at American expense. The problem was further complicated by Congressional objections to

¹ Continued from *Foreign Relations*, 1947, vol. III, pp. 657-687.

² Henrik de Kauffmann.

³ Robert A. Lovett, Under Secretary of State.

increasing our occupation costs in Germany and to the delivery of German industrial equipment to IARA countries of which Denmark being one receives a small share.

The Ambassador said that it would help him very much to receive a note showing what efforts had been made by the United States to solve the problem and setting forth the obstacles which prevent solution. Mr. Lovett said that such a note could be prepared if he felt it would serve any useful purpose. After further discussion of the difficulties in Germany, Mr. Lovett said that preparation of a note along the lines desired would be undertaken. He added that the ultimate solution might depend on arrangements for relieving the German population congestion by sending DP's out of Germany thereby making room for German refugees from Denmark. Mr. Kauffmann said that he had advocated to his Government last summer that it participate in the settlement of DP's abroad and had suggested that the Scandinavian countries plan together to receive a share of them, but that his Government refused to consider the project before the refugees now in Denmark were removed.

GREENLAND

The Ambassador said that Greenland was the biggest problem for discussion. The Greenland Agreement ⁴ had been a war-time arrangement which had continued for over two years since hostilities ceased, and he thought it was high time to liquidate it in line with the general idea of returning to peace-time conditions. He wanted to describe the present status of Danish public opinion on the question. He takes a more and more serious (evidently meaning pessimistic) view of the probability that the Danish people would accept an arrangement. Public opinion was influenced not only by the other problems he had mentioned, but also by the continuous Soviet propaganda which gained in effect because of Denmark's exposed geographical location. It had also been influenced by the recent Panama episode,⁵ in that the Danes reason that they are much less favorably situated than Panama to take action which would be considered in some quarters as unneutral. He did not think that the recent change in Government in Denmark ⁶ would influence the decision one way or the other.

⁴ For the text of the Defense of Greenland Agreement of April 9, 1941, see Department of State Executive Agreement Series No. 204, or 55 Stat. (pt. 2) 1245; for documentation regarding the conclusion of the agreement, see *Foreign Relations*, 1941, vol. II, pp. 35 ff.

⁵ Reference here is presumably to the Panamanian National Assembly's rejection on December 23, 1947, of the ratification of a defense sites agreement signed on December 10 by the United States and Panama. For documentation, see *ibid.*, 1947, vol. III, pp. 881 ff. Subsequent developments are documented in *ibid.*, 1948, vol. IX, pp. 664 ff.

⁶ A new government was formed by Prime Minister Hans Hedtoft on November 12, 1947.

Mr. Lovett said we had been working on a draft agreement which would embody the views of the various Departments of our Government and he would present it at an early date. He hoped that the draft which was now practically ready could be finished in another week.

In closing Mr. Lovett left with the Ambassador the thought that conclusion of a satisfactory arrangement for the defense of Greenland might have a salutary effect on other Departments whose co-operation is necessary to reach solutions of the other problems presented.

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859B.20/2-1248 : Telegram

The Ambassador in Denmark (Marvel) to the Secretary of State

TOP SECRET

COPENHAGEN, February 12, 1948—3 p. m.

137. I deferred conversation on Greenland (Deptel 64, February 2)¹ pending receipt memorandum of conversation January 29 which has not yet been received. However, last evening Foreign Minister² opened discussion in view his concern over turn of events as result of Kauffmann conversation and my planned departure on leave tomorrow.

Foreign Minister outlined memorandum of conversation he had received from Kauffmann. He said latter has not been instructed to bring up Greenland and apparently had done so on his own initiative. Kauffmann had been informed of thinking here along lines expressed in mytel 772, November 15³ and mydes 375, November 17,⁴ namely, negotiations would be undertaken with view of discussing Greenland operations piecemeal, first, weather stations, then navigational aids, then naval installations and air bases, such discussions to continue over period of time with gradual assumption of these operations by Denmark. Foreign Minister pointed out Denmark desired to be able publicly to announce from time to time assumption of these responsibilities and he emphasized if such program were agreed upon Denmark had no intention to serve notice of terminating 1941 treaty.

Foreign Minister said it was extremely difficult for Denmark to enter into new treaty giving bases in Greenland outright to US as such would be military alliance which might provoke occupation of Denmark by USSR. He further said if formal proposals were handed to

¹ This telegram, not printed, reported the conversation of January 29 between Mr. Lovett and Ambassador Kauffmann, *supra*.

² Gustav Rasmussen.

³ *Foreign Relations*, 1947, vol. III, p. 685.

⁴ Not printed.

Kauffmann as contemplated by January 29 conversation, the "character of which" Kauffmann reported he did not know, they might be such that Denmark would be required to give the one-year's notice of termination provided by 1941 treaty. Consequently he requested me to prevail upon Department to refrain from delivering to Kauffmann any formal document at this time. I assured him I would make this request.

Further discussion brought out Rasmussen's flat assurance, which he stated had been authorized by Hedtoft, that if US would arrange for removal of refugees from Denmark and south Slesvig, Denmark would agree to US having right of access, inspection, giving of technical advice and equipment to all installations in Greenland. He pointed out world and particularly Russians know little about Greenland, that so long as Denmark could say it has no military alliance and it exercises complete control over Greenland, practical arrangements for maintaining facilities, including air bases, can be devised between Denmark and US. He stated that payments, as suggested under so-called Manus Island plan,⁵ would not be feasible since payments would become known and immediately labeled as military alliance.

Consequently I recommend no document be handed Kauffmann and further conversations with him be deferred pending consideration mydesps 43⁶ and 45, February 10 [and 11, respectively].

MARVEL

⁵ The plan referred to here was presumably a postwar suggestion by the United States to Australia, since withdrawn, which envisioned a minimum 99-year period of joint rights of use of the island base, coupled with a procedure by which the United States could at its discretion assume temporary control at its own expense.

⁶ Not printed.

859B.20/3-1248 : Telegram

The Ambassador in Denmark (Marvel) to the Secretary of State .

TOP SECRET

COPENHAGEN, March 12, 1948—4 p. m.

233. Foreign Minister expressed to me last evening his gratitude that no document on Greenland had been handed Kauffmann.¹ He felt status of Greenland bases should remain as is, adding he had no intention of serving one year termination notice. He restated his view

¹ Although no document was officially presented, the Department informally showed Ambassador Kauffmann on February 12 a new draft agreement designed to provide long-term U.S. defense rights in Greenland as desired by the Joint Chiefs of Staff. Kauffmann discussed the paper in the several informal interviews with John D. Hickerson, Director of the Office of European Affairs, to whom he expressed the opinion that under existing circumstances the Danish Government would not approve this or any other Greenland agreement. The Ambassador was asked not to forward the draft to Copenhagen. (Memorandum by the Acting Chief of the Division of Northern European Affairs, Benjamin Hulley, to John Hickerson, March 11, 1948; 859B.20/3-1148. A copy of the draft agreement is in Department of State file 859B.20/2-348.)

expressed my Top Secret despatch 48, Feb. 12² that facilities must be maintained.

He added if negotiations were undertaken later for permanent arrangement between US and Denmark he hoped such negotiations would be undertaken here with Hedtoft and him. This confirms my previously expressed view that Hedtoft, not Kauffmann, is key man. While Hedtoft has stated to me that permanent agreement as to bases could be worked out, last evening was first time Rasmussen has said to me it was his opinion new agreement could be reached.

Consequently it is my view no approach re Greenland bases be made at present. It may be advisable for me to return for consultation in order to be prepared to take immediate advantage of any turn of events which would make time propitious to approach Danes for new and permanent agreement.

MARVEL

² Not printed.

859B.20/7-2648

*Memorandum of Conversation, by the Ambassador in Denmark
(Marvel)*

TOP SECRET

WASHINGTON, April 14, 1948.

On April 8, 1948 the Danish Foreign Minister stated to me the official position of the Danish Government with respect to Greenland. He stated that Article X of the 1941 Greenland treaty provided for consultations between Denmark and the United States, and the Danish Government had no intention to and gave his assurances that it would not serve notice of its intention to terminate the treaty so long as consultations continue. He added the assurance on the part of Denmark to continue consultations so long as a crisis existed in the world. He said that with this understanding the 1941 treaty remained in force.

He requested that any new projects to be undertaken by the United States forces be kept at a minimum and hoped that the United States' plans would not call for any large and elaborate new installations, pointing out that if such were constructed and became known the Russians would immediately point to them as confirmation of a military alliance with the United States and it was this charge that he wished to avoid. I stated to him I knew of no projects that were now contemplated in the immediate future with the exception of the possibility of a radar or loran station and I was certain that such installation would not arouse the suspicion which he had just referred to.

He stated that the policy of the Danish Government as outlined above had been approved at a Cabinet meeting the night before, April 7, 1948. Furthermore, this policy had been approved by the

five political parties in Denmark so that in the event elections were held and change in the Government resulted this Danish policy would continue. He added it was unnecessary to point out the sixth Danish party, the Communist Party, had not been consulted. He further stated that in the event that he were questioned as to the status of the Greenland situation he would state: "Denmark has no intention of terminating the 1941 Greenland treaty so long as consultations are continuing."

He finally stated that Prime Minister Hedtoft and himself had been received in audience by the King of Denmark that morning and King Frederik had given his full consent and assurances as to this Danish policy.

He thought it not advisable for this statement of Danish policy to be put in writing and consequently requested that I not telegraph the contents of his statement to Washington but to deliver them orally to the Department of State.

JOSIAH MARVEL, JR.

740.00119 Council/10-548

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[WASHINGTON,] October 5, 1948.

Participants: Secretary Marshall
Foreign Minister Rasmussen, of Denmark
Mr. Hayden Raynor ¹

Mr. Gustav Rasmussen, Foreign Minister of Denmark, called on me this noon at his request.

Refugees

Mr. Rasmussen first referred to the clearing up of the refugee problem which has been plaguing Denmark since the end of the war, and expressed his appreciation for our assistance in receiving a quota of these refugees. He said that he had worked out a satisfactory arrangement with the French, but, to date, had been unsuccessful in making arrangements with the Russians. The Russians have told the Danes that they would have to be satisfied that no Soviet citizens were being held in Denmark. Apparently some Balts are in Denmark.

Greenland

The Foreign Minister then raised the subject of Greenland, and expressed appreciation for our cooperation in turning certain facili-

¹ Special Assistant to the Director of the Office of European Affairs.

ties over to the Danes. He added that anything more along this line which could be done would be most helpful in Denmark. He said there was a certain airfield where there was little activity, and the importance of which to us, he thought, was small, which he hoped might be turned over to Denmark. I promised the Foreign Minister I would look into the question of this airfield.

I spoke earnestly to the Foreign Minister on the danger which Greenland represented to the security of the United States from the air if held in hostile hands. I pointed out that the very industrial heart of the United States, as well as that of Canada, would be endangered. I said our interest therefore, all from the angle of security, was to insure arrangements which would prevent the island from falling into hostile hands. I said I knew he would agree that the Danes by themselves could not insure against this danger. I said to the Foreign Minister that some time ago I had asked our experts in the Department of State, and in our military establishment, to try to develop a plan which would provide this very necessary insurance to us and which, at the same time, would be acceptable in Denmark. I said that I had hoped to have a draft of this plan with me but that it had not been given to me before my departure from Washington. The Foreign Minister made no comment during this part of the conversation.

[Here follows a discussion of the relationship of a Scandinavian defense arrangement to a broader North Atlantic security agreement. For documentation on this subject, see pages 1 ff.]

G. C. M[ARSHALL]

AGREEMENT BETWEEN THE UNITED STATES AND DENMARK RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80TH CONGRESS

[For text of Agreement, signed at Copenhagen June 29, 1948, see Department of State, Treaties and Other International Acts Series No. 1782.]

AGREEMENT BETWEEN THE UNITED STATES AND DENMARK RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80TH CONGRESS

[For text of Agreement, effected by exchange of notes signed at Copenhagen November 4 and 18, 1948, see Department of State, Treaties and Other International Acts Series No. 1904.]

**CONVENTION BETWEEN THE UNITED STATES AND DENMARK RE-
SPECTING DOUBLE TAXATION**

[For text of Convention, signed at Washington May 6, 1948 and proclaimed by the President December 8, 1948, see Department of State, Treaties and Other International Acts Series No. 1854.]

**AGREEMENT BETWEEN THE UNITED STATES AND DENMARK RE-
SPECTING APPLICATION OF MOST-FAVORED-NATION TREATMENT
TO AREAS UNDER OCCUPATION OR CONTROL**

[For text of Agreement, effected by exchange of notes signed at Copenhagen June 29, 1948, see Department of State, Treaties and Other International Acts Series No. 1822, or 62 Stat. (pt. 3) 2883.]

FRANCE

CONCERN OF THE UNITED STATES WITH POLITICAL AND ECONOMIC DEVELOPMENTS RELATING TO FRANCE¹

851.51/1-548 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 5, 1948—7 p. m.

54. The determination of Premier Schuman, Finance Minister Mayer and other Cabinet members to bring about currency stabilization and financial reform through parliamentary action stems in large measure from their realization that without it ERP cannot achieve the ends it should achieve, and that it is essential if long-term American aid is to be voted. I have sought every opportunity to strengthen them in this resolve in the same manner as I have harped upon the necessity of arriving at adjustments of wages and prices problem (mytel 5594 December 29).²

CAFFERY

¹ Continued from *Foreign Relations*, 1947, vol. III, pp. 688-825.

² *Ibid.*, p. 823.

800.48 FAA/1-748 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

US URGENT

PARIS, January 7, 1948—7 p. m.

113. Afem 28. Deptel 4584, Mefa 3, December 23 and Embtel 5486, Afem 6, December 21.¹

Following repeated requests for indication of French organization to be established for administration USFAP PL 389² Alphan³ last night orally gave Reagan⁴ following outline of French organization as now proposed but which has not yet been officially approved. (He expects formal decision within several days on set-up as outlined).

¹ Neither printed.

² For documentation on the development of the United States Foreign Aid Program under Public Law 389, 80th Congress, see *Foreign Relations*, 1947, vol. III, pp. 197 ff.

³ Hervé Alphan, Director General in charge of economic and financial affairs in the French Ministry of Foreign Affairs.

⁴ Daniel J. Reagan, Counselor of Embassy for Economic Affairs, at Paris.

1. Any difference in interpretation of agreement will of course be worked out between Foreign Office and Embassy.

2. Baumgartner, president of Crédit National, to be French administrator. His over-all function would be two-fold: He would be charged with (a) administering and accounting for the use of the franc counterpart fund and (b) the collection of information on goods received under USFAP PL 389, their distribution and their end-use.

3. Baumgartner would be assisted by a small group of advisers and administrative officers charged with the operation of (a) and (b) above. (Alphand was not certain whether these assistants would be from Baumgartner's staff or whether they would be key representatives of the interested French ministries and agencies. Baraduc⁵ has since telephoned to say that he hopes Baumgartner's advisers will be these key representatives who will also be the direct liaisons with our special representatives).

4. Baumgartner would, with the advice of the interested agencies, determine the policies and operations required to fulfill the French part of the agreement. (Foreign Office entering into the picture only on questions under one above.)

5. Contact of US adviser or his representatives would be direct with Baumgartner or his assistants on all questions of policy and operation. Baumgartner would furnish US adviser all information required under the agreement.

Alphand then referred to all-out attack by Communists on agreement and particularly charges of set-up of network of US industrial "spies" under guise of observers. He said that to minimize possibility of giving Communists excuse to maximize this false theme, he felt sure we would agree that all inquiries regarding French operations under agreement and any request of an investigative character should be directed by US to Baumgartner who would have necessary investigations made and would report to US. He cited as exaggerated example, possibility of American observer making on-the-spot check-up of a reported misuse of aid products, having photographs made and announcing incident to press. Also Alphand considered it would be inappropriate for our advisers or observers to check with local authorities (prefects, mayors, etc.) on operation or on indications of misuse of products delivered under aid.

Reagan pointed out that in part to minimize possible adverse publicity, commodity rather than geographic observers who are part of identifiable USFAP unit in Embassy were decided upon, that obviously we had as much interest as the French in avoiding incidents which might serve Communists' purpose: That Alphand should ap-

⁵ Pierre Baraduc, Chief of the Economic Cooperation Service in the French Ministry of Foreign Affairs.

preciate our observers would not indulge in exaggerated operation in manner outlined by Alphand but would work discreetly in the framework of instructions set forth in aid act. Reagan then stated that, while willing to cooperate with French to avoid unnecessary "incidents" he must unequivocally reject A's suggestion that any limitations be placed by French Government on the operation of the American foreign aid in France or others as provided under the act (specifically Section V, I and J). He said that Alphand's suggestion was so important that unless an immediate understanding could be reached on this point it appeared that even at the beginning of the operation the French Government was requesting derogations from the obligations accepted under the agreement.

Alphand hedged by saying he had merely thought it would be preferable if we would canalize our work through one government channel but that, if we considered it necessary to implement the agreement by making on-the-spot investigations, his government of course would fulfill its obligations but he requested that we first obtain the consent of his government before such investigations were to be made. Reagan emphatically rejected the latter reservation but said he saw no objection to advising Baumgartner with regard to any special investigations we might consider necessary on the grounds that Baumgartner might have information which could clarify or make unnecessary such investigation, but that we would not be required to obtain the prior approval of the French Government. Alphand somewhat reluctantly agreed that such approval would not have to be obtained.

I believe it would be useful if Department made known to French representatives Washington its position on French organization in support of Embassy's recommendation as suggested in Paragraph Three Deptel under reference.

Sent Department 113, repeated Athens for Allen as 6.⁶

CAFFERY

⁶Telegram 187 to Paris, January 21, 5 p. m., read as follows: "1. Dept. fully supports Reagan on position taken with Alphand re responsibilities US mission under USFAP, PL 389 . . . 2. Dept. believes in matters such as this Allen and US mission should reach settlement with French in Paris as it is solely question of field administration. 3. We will inform French reps. here Dept. fully supports ur view per last para reftel." The telegram was repeated to Rome, as Mefa 161, for Richard F. Allen, Field Administrator of the United States Foreign Relief Program, who had participated in earlier discussions of this matter. (800.48 FAA/1-748)

851.00/1-1448: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 14, 1948—8 p. m.

227. While outwardly at least the present social and political atmosphere in France is relatively calm as compared with the turbulent

period of strikes and public disorder last November and early December, there are nonetheless ominous political undercurrents which indicate that the present government is in for a very hard time during the coming critical period. The next few months are now generally considered in Paris as the most vitally important which any French Government has had to face since the liberation, and most qualified observers believe that they may well hold the answer to the question of whether or not the Communists can be contained and beaten back and the situation—economic, political and social—stabilized and ultimately restored.

In the final analysis it is obvious that social and political stabilization in France and western Europe depends largely upon economic stabilization (wages and prices, budgetary equilibrium, sound fiscal policy, etc.). The Schuman Government recognizes this and is making a determined and very courageous effort in this direction. In view, however, of the universal unpopularity of draconian measures it has been obliged to invoke, the government attempts would be difficult enough even under the most favorable political circumstances. (By favorable circumstances, I mean a political situation where the government had solid support of all French parties and groups except the Communists.) At present, however, the Schuman Government is far from enjoying any such solid support. In addition to all-out Communist efforts aimed at its destruction, it is also being sniped at and undermined by the right which is marching under De Gaulle's banner. Furthermore, there are also groups and individuals of the so-called center and moderate right (particularly in the Parliament) which for reasons of partisan politics or personal ambition are either openly opposing the government or withholding support. (In addition to Gaullists, I refer both to the agrarian group and other deputies from agricultural constituencies who are strongly opposing the government's efforts to make the farmer bear a proportionate share of the national burden and to deputies elected by essentially bourgeois votes.) Still other centrists are reluctantly supporting the government but with weather eyes open to a change of course should the political winds veer or shift. In this latter category are a considerable number of Radicals, elements of the UDSR composed largely of Gaullists and some MRP and Independent Republican deputies who know that in any new elections they would stand small chance on their present ticket and are accordingly keeping a close eye on the De Gaulle bandwagon.

With such a situation in the Assembly (which was pointed up in the recent confidential vote on the Mayer plan ¹ when the government's majority on the 5 votes never more than 38), it seems apparent that

¹ A series of measures to curb inflation, promote exports, and otherwise strengthen the French economy.

should De Gaulle decide that the time has come to "pull the rug" from under Schuman on some controversial issue, his chances of causing the government's fall would be very considerable. Or to put it another way, the government's chances of obtaining a majority in Parliament against all-out opposition of the Communists, the right, the Gaullists and disaffected elements of the center would be very slim.

For the moment De Gaulle does not wish to return to power and indeed he could not do so today because there is still a definite reluctance particularly in the left but also in the center and moderate right to embark on an "adventure" with the General when it is still considered barely possible that a centrist solution may succeed. On the other hand while De Gaulle's prestige is unquestionably now lower than at election time last autumn, it could snowball overnight if the general situation deteriorates. In my opinion, however, the moves of both the Communists and Gaullists in the coming weeks will depend largely on the extent to which the government's efforts to stabilize the economic situation succeed or fail.

That the Communists are still strong and dangerous (they did not make an all-out effort last November) and will use every means to insure the failure of Schuman's economic plan is a disturbing certainty. Even more disturbing, however, in the light of the political situation and particularly the currents within the Assembly described above, are indications that De Gaulle and the RPF, far from wishing the present govt to succeed, appear to wish it only to hold together until the situation appears ripe for them to take over. If this is true they may be expected to follow a course calculated to undermine and gradually destroy the position of the Schuman Government.

In informal conversations with De Gaulle's advisers, I am stating frankly that while it is an internal matter and none of my business, I am strongly of the opinion that any premeditated efforts by the Gaullist machine deliberately to undermine the present govt will be very damaging to De Gaulle prestige in the United States.

I have told them that I realize that Schuman Government may fail and that in the course of events De Gaulle may be called back to power. Under such circumstances and by their own statements De Gaulle would desire the close friendship, aid and confidence of the United States. Should he act in such a way as to give the impression that he is putting personal ambition ahead of national interest, that his sole desire is to return to power and that in so doing he will not hesitate to smash the truly democratic elements of the left and center, he can hardly fail to cause serious misgivings in the minds of the American Government and people—misgivings which are hardly calculated to inspire trust and confidence in his future course of action. In this con-

nection it has been noted that while De Gaulle remained silent when the government was faced with its most serious test of strength with the Communists (that is during the strike period) his representatives and he himself have "stepped up" their attacks when the government showed signs of weathering the storm.

Furthermore, I am also telling them that it appears to me that any effort which is obviously designed prevent the success of the present government's economic stabilization plans is simply playing the Communist game, for it will not only create further divisions with[in] France—particularly alienating the Socialist[s] within and without the vital trade union movement and forcing them towards the Communists with whom they have broken—but will result in increased hardship and misery for the mass of the population, which is precisely the situation the Communists are endeavoring to create in their efforts to recapture the support which they lost last November and December.

CAFFERY

S51.5151/1-1448 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET US URGENT

PARIS, January 14, 1948—8 p. m.

231. For Under Secretary Lovett's and Secretary of Treasury Snyder's eyes only. Remytel 209, January 13.¹ FinMin official advises that final decision on exchange system was reached this morning and has given me full outline of proposal on exchange rates and gold and French assets abroad. Schweitzer, Valensi and Largentaye² instructed to review immediately full details of French decision with appropriate American authorities. Accordingly, I am not cabling summary. If you wish comments or observations assume you will request them by cable.

New "official" rate and free market in dollars and other "convertible" currencies clearly indicate that French did not make decisions on political grounds. I find this most encouraging.

French representatives in Washington have also been instructed to contact immediately administrative staff of Monetary Fund. Tentative plans are that question will be presented to Board of Fund early next week. Mayer and Guindey³ will raise question with Cripps⁴ on

¹ Not printed.

² Jean de Largentaye and Pierre Paul Schweitzer were the French member and alternate member of the Board of Executive Directors of the International Monetary Fund. Christian Valensi was financial counselor of the French Embassy at Washington.

³ Guillaume Guindey was Director of External Finances in the French Ministry of Finance.

⁴ Sir Stafford Cripps, British Chancellor of the Exchequer.

their arrival in London. Difficulties with British may arise. French are considering suggesting alternatives: (1) all transactions with sterling area be at new "official" rate for sterling, or (2) sterling be blanketed in under regime for convertible currencies. According to FinMin official British would probably favor first alternative to avoid sterling going to discount against dollar on free market.

Embassy staff will, of course, have access to free market. Please cable any instructions on exchange rate guarantees on certain Army and other official accounts, and payment of counterpart of Interim Aid into special account.

Sent Dept 231; repeated London for Gallman's eyes only as 21.

CAFFERY

NAC Files, Lot 60D137, NAC Minutes ¹

Minutes of the Eightieth Meeting of the National Advisory Council on International Monetary and Financial Problems, Washington, January 19, 1948

TOP SECRET

Present:

Secretary John W. Snyder (Chairman), Treasury Department
 Mr. Willard L. Thorp, State Department
 Mr. Norman T. Ness, State Department
 Mr. Thomas C. Blaisdell, Jr., Commerce Department
 Mr. Marriner S. Eccles, Board of Governors, Federal Reserve System
 Mr. J. Burke Knapp, Board of Governors, Federal Reserve System
 Mr. William McC. Martin, Jr., Export-Import Bank
 Mr. Andrew N. Overby, International Monetary Fund
 Mr. George F. Luthringer, International Monetary Fund
 Mr. Frank A. Southard, Jr., Treasury Department
 Mr. Joseph B. Friedman, Treasury Department
 Mr. Andrew M. Kamarck (Acting Secretary)

1. *French Foreign Exchange System Proposal.* Mr. Overby called the attention of the Council to the three documents he distributed which were prepared in the Fund (distributed as NAC Document No. 602).² Mr. Overby began the discussion by stating that the problem presented by the French proposed foreign exchange rate system is the most important the Fund has faced to date. It is not possible to get a desirable answer, the problem is to get the least undesirable answer.

¹ Master file of the documents of the National Advisory Council on International Monetary and Financial Problems for the years 1945-1958, as maintained by the Bureau of Economic Affairs of the Department of State.

² Not printed.

His conclusion was that the French proposal is most unsatisfactory and would cause trade and exchange difficulties of great magnitude in Europe.

Position of Executive Board. Mr. Overby reported that Mr. Bolton, the British Director, feels that the French have not thoroughly considered what they are getting into: The Bank of France has not been consulted. The French action will aggravate the exchange crisis in Europe before it is known what the ERP framework will be. If the French carry through their plans it will be hard for Anglo-French collaboration to continue. The United Kingdom and other ERP countries will have to take punitive action or follow suit. It would be easy for the French to import British goods under this proposal and sell them in the United States; the United Kingdom would lose dollars therefor and receive francs. The Belgian Director said that the Italian system is already working out in this way. Italian goods are bought in the United States market for Belgian consumption rather than in Italy. Only the French and British have taken a definite position, the Belgian and Dutchman have asked questions. Most of the representatives on the Board are waiting for an indication as to the United States position. The United States vote will be decisive.

The Staff of the Fund has concluded that the French proposal should be rejected.

Discussion by NAC. Mr. Thorp stated the position of the Department of State is that it would be most unfortunate if the United States blocked an action which a country thinks is in its own interest. Throughout Europe there would be a bad reaction if the United States vetoed an action of self-help of a government. If we oppose the French action it should be a group decision with the United States concurring. The Chairman stated that he thought it was most important that any action taken by the United States should not appear to be United States meddling in the internal affairs of other countries.

Mr. Overby said that in most major policy issues in the Fund, the United States vote will be a decisive vote. The Fund was set up to be an instrument of international advice and consultation. The advisory function of the Fund should become more important than the currency purchases. If we accept the doctrine that for political reasons we must accept any proposal which a country puts forth, this threatens the entire purpose of the Fund. Mr. Eccles agreed with Mr. Overby. It would be dangerous to accept anything that an individual country proposes. The Fund was designed to be a restriction on sovereignty. He also wished to point out that if we please France at this point we are displeasing the United Kingdom. Mr. Martin stated that we cannot and must not support every government when it comes in with a

proposal to the Fund. However, the Fund must be flexible and allow countries to go through a process of trial and error. He wished to know why it was necessary to make a stand at this point.

Mr. Luthringer felt that the problem before the Council was a more fundamental question than an exchange rate change. The Fund must be hesitant in imposing a rate on a country which is different from what the country wants. However, in this case France, which is the most important financial country on the continent of Europe, is suggesting a new exchange system which is contrary to the whole theory of the Fund. The Fund agreement is based on an internationally agreed system of rates and upon agreement before a rate is changed. This system avoided this whole process.

Mr. Southard said that he was disturbed by the fact no acceptable alternative had been suggested. The Fund staff proposed that France impose flexible taxes which would have the same effect. He wondered whether it was not too late to disapprove of flexible rate systems; a number of countries already have them. Here we have a country which takes a strong stand and maintains that it has the same right as Italy to have a fluctuating rate. It points out that its neighbors would object to higher fixed rates. There are considerable difficulties in imposing flexible taxes. The alternative may be to do nothing. The National Advisory Council had voted approval for floating rates the preceding week and it was clear that it had France in mind. Mr. Southard said that he was not afraid to apply that decision now. He was worried about the Fund's staff holding to fixed pars at this time, and asked whether we are so sure that we are right technically to override the French.

Mr. Blaisdell said that we are having a hard time to live with our importers at the present French rate. He did not see how we could say no to the French proposal unless we have something better to propose. Our relations with the United Kingdom are the key of our policy but we still need an alternative to the French proposal.

Mr. Knapp said that he agreed with Mr. Overby and Mr. Luthringer. The National Advisory Council action on floating rates considered floating rates that were temporary and only as a means of arriving at another fixed rate. The proposed French system is rigged to make importers pay subsidies for tourists' expenditures and the repatriation of capital. He was skeptical of the efficacy of this approach.

Mr. Eccles said that he could not see why the French have to maintain their present rate of 119. If they cannot get the new system he did not see why they could not go to 214. Mr. Martin said that he had been told by the French Ambassador and Mendès-France³ that Schuman

³ Pierre Mendès-France, French executive director of the International Bank for Reconstruction and Development.

wants this proposal. The Chairman said that the Fund could not simply deny the French request, an alternative has to be offered.

Mr. Overby said that the French do have two alternatives (a) a pattern of rates based on 250-275 and a free market for invisibles, (b) a rate of 214 across the board and a free market for invisibles. The United Kingdom would accept either of these as a compromise. The Italian case is not a precedent. Italy had no agreed par value, it had a floating rate at the time it joined the Fund and it is not a major trading nation. Mr. Luthringer said that the French have not only a problem of increasing exports in the United States, they have a problem of over-all increase in exports.

The Chairman and Mr. Eccles felt that the United States representative on the Fund should attempt to work out an acceptable compromise which would be agreeable to both the British and the French. The Council agreed with this position and stated that it would be ready to meet at any time when the U.S. Executive Director needed further advice.

851.5151/1-1948 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET NIACT

PARIS, January 19, 1948—5 p. m.

314. For Secretary of State and Secretary of Treasury. Bidault,¹ obviously very disturbed, reviewed for me this morning results of conversation in London between Mayer and Cripps and submitted copy of letter from Premier Schuman to Secretary Snyder (I am sending a confirming translation of letter in separate cable).² Bidault echoed strongly Schuman's request to Secretary Snyder, repeatedly emphasizing the critical importance to the French economy and to any program for monetary stabilization of carrying out the flexible exchange system proposed. He indicated that the French Ministers were shocked by the complete unreceptiveness of the British, particularly in view of French willingness to agree to buy and hold sterling freely without question of conversion into gold or dollars. Bidault also stressed that proposals to the British as outlined in Schuman's letter were "obviously fair and reasonable". He indicated that the British opposition was not

¹ Georges Bidault, French Minister of Foreign Affairs.

² Not printed; in it Schuman referred to his conversations with Snyder the previous September (see *Foreign Relations*, 1947, vol. III, pp. 756-757); stated that the first half of his program had been carried out and that it was now time to proceed with a plan for monetary reform; commented on the need for cooperation with other countries in the interest of European stabilization; and requested support by the United States in the meetings of the International Monetary Fund. (851.5151/1-1948)

based only on question of pound sterling appearing at a discount against US dollars and on desirability to avoid breaking letter of principles of IMF even on temporary basis. British also evidenced strong disagreement with Mayer's policy of bringing "air" into the French economy by lifting and relaxing controls on prices and commodities to bring about an internal monetary stabilization. This may result (perhaps was so designed) in embarrassment to French administration with Socialists on abandonment of "dirigisme".

Bidault's remarks were confirmed to Treasury representative by Guindey who accompanied Mayer to London.

Guindey added that British even expressed view that French program was not in keeping with purposes of CEEC and ERP. Guindey acknowledged that decision is of first importance for IMF and is greatly concerned lest IMF postpone decision for study. In his view this would have most unfortunate consequences in undesirable publicity for Fund as well as for French Government. Executive board of Fund is receiving proposal this morning. Guindey hoped Overby would receive immediately statement of French views. Guindey repeatedly comment on "unfortunate and sad" development and said that never had he experienced such a completely negative reaction in this contact with the British. He commented that he felt cause was a complete disagreement on basic economic policy and that an "entirely different reaction would have been received from a Conservative government."

I would strongly urge acceptance of Premier Schuman's position that system of official rate with added premium combined with flexible rates be adopted as soon as possible. There can be no question but that the obviously overvalued franc is a serious deterrent to French exports. Exports to hard currency countries have virtually ceased. It is also distorting trade patterns and internal cost structures of other European countries. An exchange rate having some basis in "market realities" is also an essential step to aid French administration in any mobilization of undisclosed assets in gold and foreign exchange as well as realization of current earnings in exchange. I do not suggest that the proposal in itself will guarantee these results nor would I suggest that the measures taken by Mayer are more than a first step in correcting the serious internal monetary disequilibrium in France. As I have reported previously, the increase in costs and prices in France can be expected to continue and, until a satisfactory harvest arrives, probably at a rate steeper than that of most of its European neighbors. Clearly, in these conditions, complicated by the ever-present political question, it is not possible to arrive at a definitive adjustment which would give an economically suitable rate of exchange with any as-

surance that it would not soon cease to be satisfactory [;] the limited "free" rates for convertible currencies will be a positive aid in facilitating sale of exports and tourist receipts for convertible currencies. At same time, the decision for an upward adjustment of the official rate through the device of an added premium of 80 percent should bring prices in France reasonably in line with prices in most of the other important countries in its external trade. The results, though limited by availabilities, should be of immediate benefit to France's balance of payments position by limiting import demand and encouraging exports. Subsequent developments may well create an atmosphere more favorable for a final adjustment of the rate of the franc.

Under present circumstances with inadequate reserve for urgently needed imports as well as for monetary purposes, the administration of such a program will be very difficult. Nevertheless, particularly if a measure of success is achieved in realizing current receipts of exchange and undisclosed assets, the system should provide a useful flexible instrument to approach gradually the time when a final internal and external stabilization can be attempted. I might add that Bidault and Guindey insisted that French administration would "do nothing rather than carry out a simple devaluation". They stated it would be merely another interim devaluation "without results."

CAFFERY

NAC Files, Lot 60D137, NAC Minutes

Minutes of the Eighty-First Meeting of the National Advisory Council on International Monetary and Financial Problems, Washington, January 20, 1948

TOP SECRET

Present:

Secretary John W. Snyder (Chairman), Treasury Department

Mr. Willard L. Thorp, State Department

Mr. Norman T. Ness, State Department

Secretary W. Averell Harriman, Commerce Department

Mr. Thomas C. Blaisdell, Jr., Commerce Department

Mr. Marriner S. Eccles, Board of Governors, Federal Reserve System

Mr. J. Burke Knapp, Board of Governors, Federal Reserve System

Mr. William McC. Martin, Jr., Export-Import Bank

Mr. Walter Sauer, Export-Import Bank

Mr. Andrew N. Overby, International Monetary Fund

Mr. George F. Luthringer, International Monetary Fund

Mr. Frank A. Southard, Jr., Treasury Department

Mr. Joseph B. Friedman, Treasury Department

Mr. Andrew M. Kamarck (Acting Secretary)

1. *French Foreign Exchange Proposal.*

Mr. Overby reported that he had seen Mr. Gutt ¹ at 6:30 the evening before and suggested that an attempt be made to secure a compromise, that is—a fixed pattern of rates for trade and a free market for invisibles. Mr. Gutt then conferred with Largentaye and Mendès-France. However, the position of Paris is that there should be no compromise in any respect. Mr. Overby said that the United States decision probably could not be postponed any later than that night. At the Executive Board meeting fears were expressed that exchange instability and retaliatory action would spread. The British Executive Director said that adoption of the proposal by France would lead to a breakdown of European cooperation. The Belgian Director, although personally opposed, is instructed to vote for the French plan. The Dutch are against it. Mr. Overby said that the only conclusion that could be derived from the discussions with the French is that the French have not yet worked out the technical details of their proposal, that they have not thought it through. Mr. Bolton says that the Bank of France has not been in on the plans and that the proposal stems from a combination of theorists in the French Treasury and from Istel ² and adventurers in the French markets. Mr. Overby had asked Valensi why the French would not try the compromise which had been suggested. Valensi said that it had been felt that it was politically impossible to set up a free market for invisibles only. The Chairman said that, of course, we have to measure Bolton's statement by the self-interest of the United Kingdom.

Mr. Southard was asked by Mr. Thorp to read the political parts of the cables from the Paris Embassy. In these cables Mr. Caffery strongly favored the French proposal and stated that, in his opinion, the life of the present French Government was at stake. Mr. Thorp said that Mr. Douglas felt that we could not oppose the French in this matter.

The Chairman tentatively suggested that Mr. Overby try to secure a compromise and that there be a secret vote taken in the NAC for or against the French proposal, the results of which the Chairman would communicate to Mr. Overby if the attempt to secure a compromise failed.

Mr. Harriman said that he was not convinced that the French could not accept the compromise for political reasons. He pointed out that he had had experience in negotiating with the French for a considerable period and that this was a common technique of theirs.

¹ Camille Gutt, of Belgium, Chairman of the Board of Executive Directors and Managing Director of the International Monetary Fund.

² Presumably André Istel, a French economist.

Mr. Eccles brought to the attention of the Council that the legislative history in the Bretton Woods Agreements shows that the United States contemplated that its vote in the Fund would be the decisive vote. The NAC was set up for the purpose of instructing on the United States vote and has a grave responsibility to protect the Fund and to make the Fund an effective instrument. Mr. Martin said that the stakes are high and that the NAC could not disregard the judgment of the Executive Director. It was his feeling that the French are putting up a big front and that, if the United States took decisive action, their bluff would be called.

Mr. Overby felt that essentially, there are two alternatives: That the French adjust their rate to the dollar and keep their trade in line with other areas with commercial policy devices, or that the French adjust to the other rates and then have a special exchange device for the dollar. The first question on which the National Advisory Council advice was requested was that if a compromise is possible on these terms, would the Council authorize the U.S. Executive Director to accept a fixed pattern of rates going down to 214 if necessary, with a free market on invisibles?

Action. The National Advisory Council took the following action:

The National Advisory Council advises the U.S. Executive Director on the International Monetary Fund that if a compromise is possible on the French proposed exchange rate system, the U.S. Executive Director should vote in favor of a fixed pattern of rates with the franc-dollar rate as favorable to the franc as 214 to the dollar if necessary, and with a free market on invisibles.

Mr. Overby stated that the British Executive Director would probably agree to this compromise proposal.

Free Rate on Trade Items. Mr. Overby then raised the second problem—that if a compromise was impossible how should he vote on the proposed free dollar rate for trade items. Mr. Overby said that if the French fixed a rate of 265 francs to the dollar there would be no danger that this was out of line with the dollar and that then we and the French would exert pressure to get the other countries in line. The French could in the meantime use commercial policy devices to prevent exports from flowing unduly to the neighbors.

While Mr. Bolton says that the British have no difficulty in selling their exports, Mr. Overby's opinion was, however, that the British might have to adjust the pound once it is clear what the European Recovery Program will be. Mr. Thorp added that once there is a European Recovery Program there might be a multilateral adjustment of exchange rates.

Mr. Overby said that other countries, in addition to France, have

been strongly urged to increase their proportion of exports to the United States. Mr. Southard added that the French indicate that they want to do this at once and not wait for ERP.

Mr. Martin asked whether it was the opinion of Mr. Overby, Mr. Luthringer and the Fund's staff that the proposed French adjustment would start an exchange war which would make the Fund ineffective from this point on. Mr. Overby answered that the French proposal would seriously impair the work, the role, and the effectiveness of the Fund. Mr. Thorp said that if the French leave the Fund it will seriously impair the Fund too. Mr. Snyder suggested that the United States position in the Fund should be for compromise arrangement—neither for nor against the French—on the basis that we think that some parts of the French proposal required adjustment. Mr. Martin said that he would like to see this proposal tried, that it appeared to him that the French representatives have been protesting too much and perhaps may be bluffing.

Mr. Harriman said that he did not see how a compromise could be possible unless the United States is ready to reject the French proposal. Mr. Overby said that he agreed. The Chairman said that the position we should take is that we are not ready to vote against the proposal, that we wish a compromise worked out, that we are leaning toward saying “no” but would prefer not to have to.

Mr. Overby thought it would not be possible to get force behind the compromise unless the United States was ready to vote against some parts of the French proposal. Mr. Eccles agreed that we would have to be ready to back up our suggestion but that on the record we could prevent a United States vote against France. Mr. Thorp felt that the action by the Fund should take the form that “The Fund after consideration feels the French program can be improved and difficulties eliminated if France would reconsider the proposal along the following lines. . . .”

Mr. Harriman thought, however, that we could not hope to get the French to recede from their proposal unless we were ready to vote “no”.

Mr. Thorp suggested that in the showdown the Fund should acquiesce on the expectation that this is a temporary action with the situation to be constantly watched by France and by the Fund. The French Government is struggling to put its house in order and wants to do something and we should be sympathetic. Further, the situation is impossible to handle country by country and the Fund should, in the next few months, review the whole of the European exchange rate structure.

The Chairman proposed that the United States Executive Director

should point out to the French, that they, at best, can get only a split vote, that the difficult point is the trade items, and the French representatives should go back to their government and try to get reconsideration on this point. Mr. Eccles said that he felt the French were being offered an acceptable alternative and that the French position is unreasonable. Mr. Harriman and the Chairman summed up the feeling of the Council that the Executive Director should go back with a compromise proposal and should go as far as he can without finally saying "no" to the French, but that if the French would not agree, the NAC would meet again on this point.

851.5151/1-2148 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, January 21, 1948—noon.

US URGENT NIACT

349. For Secretary of State and Secretary of Treasury. Guindey has advised that Gutt (following Executive Board consideration) has appealed to French Government to withdraw proposal in present form. Guindey said from telephone conversation with Washington it was gathered that Gutt, in face of strong opposition from British and Canadians, wishes to avoid bringing French request to vote. He understood Gutt's request was supported by United States, but he had no indication of position of executive directors other than British and Canadian on substantive proposal. Guindey said a counter proposal was suggested which would permit a special rate for "tourism and capital transactions" but not for "commercial" transactions. He had no details and was not certain of rate which would govern for official transactions. He had no information on possible free gold market under new proposal.

He said British are also expected to bring strong pressure directly on French Government to withdraw proposal and perhaps will suggest alternative procedure. Hall-Patch¹ arriving in Paris this morning. According to Guindey question is now one for ministerial decision after representation of Hall-Patch and complete report from Washington are received.

For reasons given in mytel 314 and related Embtels, question may assume vital importance for present government. Anticipating possible further contact by government ministers, I would appreciate urgent cable giving appropriate statement of United States position.

CAFFERY

¹ Sir Edmund Hall-Patch, a Deputy Under-Secretary of State in the British Foreign Office.

NAC Files, Lot 60D137, NAC Minutes

Minutes of the Eighty-Third Meeting of the National Advisory Council on International Monetary and Financial Problems, Washington, January 22, 1948, 3 p. m.

TOP SECRET

Present :

Secretary John W. Snyder (Chairman), Treasury Department
Mr. Norman T. Ness, State Department
Secretary W. Averrell Harriman, Commerce Department
Mr. Thomas C. Blaisdell, Jr., Commerce Department
Mr. Marriner S. Eccles, Board of Governors, Federal Reserve System
Mr. J. Burke Knapp, Board of Governors, Federal Reserve System
Mr. William McC Martin, Jr., Export-Import Bank
Mr. Walter Sauer, Export-Import Bank
Mr. Andrew N. Overby, International Monetary Fund
Mr. George F. Luthringer, International Monetary Fund
Mr. Frank A. Southard, Jr., Treasury Department
Mr. Thomas J. Lynch, Treasury Department
Mr. Andrew M. Kamarck (Acting Secretary)

1. *French Proposed Foreign Exchange System*

Mr. Overby said at the last Executive Board meeting Mr. Gutt had summarized the situation as follows :

- (1) The Fund approved the French devaluation.
- (2) The Fund appreciated the desirability of a free-market for invisibles in France.
- (3) The Fund had difficulty in accepting a freely-fluctuating rate on trade items.

We, therefore, requested that the French reconsider and bring forward a new plan which would eliminate this third point. The U.S. Executive Director supported the suggestions of Mr. Gutt and earnestly urged this compromise. The United Kingdom supported the compromise. All the rest of the Fund supported the compromise of the Board, 20 percent (including Italy, Belgium, Mexico and Brazil) would in a show-down support the French on the last point, if necessary, while the rest of the Executive Board would be against the French. After the meeting the U.S. Executive Director spoke to the French along the same lines. Mendès-France said that there would be considerable difficulties in France in reversing the French proposal. One of the main difficulties was that the Sultan of Morocco had been upset because he had not been consulted on the last devaluation. He had now been consulted on this devaluation and was adamant that this free rate on trade be allowed.

The situation, therefore, as of the moment is that the French may

come forward and re-insist on the original proposition but propose a commitment to extend the free system to all countries and to try to maintain the cross rates. This is tantamount, however, to the original proposal since it would depend on the other countries' making the necessary concessions in their financial and payments agreements with France. Another possibility which the staff of the Fund feel might be acceptable would be for the French to adopt a free market with the other currencies floating up and down with the dollar. The French would agree to do this by buying and selling all other currencies at the appropriate cross rate to the current rate of the dollar. The French would handle this by concurrent negotiation with other countries or by export and import controls. The Fund staff feel that this would eliminate most of the discrimination, would not be a competitive devaluation and would avoid commodity arbitrage. The disadvantages of this proposal are that it is more complicated of administration and is a departure from a stable rate system.

Mendès-France believes that in the final analysis the United States will not oppose the French proposal. Mr. Overby summed up by saying that there were three possibilities :

- (1) As long as the French hope for U.S. consent they will not give up this third element of their proposal; therefore, the first question is: Can the U.S. Executive Director oppose the third element of the original French proposal?
- (2) Can the U.S. recede further from the compromise?
- (3) Can the U.S. accept the new Fund staff compromise if the Board discussion with the other European countries should indicate this would be more acceptable than the other?

Mr. Eccles summed up the progress in the discussions in the Council as follows:

There appears to be general agreement that the French proposals represent a serious departure from the Fund's basic principles and philosophy, and that action along these lines by the French would probably precipitate further departures by other member countries. The United States Government is committed to support the principles of the International Monetary Fund to the maximum possible extent, and the National Advisory Council was established by the Congress to carry out this policy. On the other hand, in the extraordinary circumstances of the world today, the Fund's principles cannot be fully adhered to; the French proposals have been ingeniously designed to serve certain French interests; and it has been said that the French Government, having committed itself to these proposals, cannot afford to retreat from them because of the political consequences at home.

Most members of the Council are not convinced that a retreat by the French Government to some more moderate compromise position

would have such serious political consequences in France as have been alleged. The British, who have at least as much stake in the stability of the present French Government as we have, appear to have arrived at a very different judgment on this matter.

A major objective of the French plan is to force French importers from the "hard currency" areas (except for importers of certain essentials) to bear the cost of the exchange premiums considered necessary to induce French holders of dollars derived from tourist expenditures, etc., and from assets hoarded abroad, to convert such dollars into francs. But (a) there is serious doubt as to whether this scheme will work as well as the French hope, and (b) even if it will work, there are other schemes giving identical results which would not involve the establishment of discriminatory exchange rates.

With respect to (a), there are doubts as to the extent to which French holders of dollars abroad will bring them home, even at the exchange rate of 300-350 which is expected to prevail in the open market, until further evidence appears that France is on the road to monetary stability; and it seems quite likely that the "tourist dollars", instead of being sold on the open market, will continue to be sold at even higher rates to people who cannot obtain a license to purchase exchange on the open market (e.g., for purposes of capital flight).

With respect to (b), identical results would be achieved if the open market was made applicable only to invisible transactions and capital inflow, with the desired premium being created in the market through government support financed by the proceeds of a tax on imports from the "hard currency" countries. We have agreed to accept a compromise along these lines. It is true that the French Government may be loath to participate so openly in the payment of a bonus to the hoarders of dollar assets; their proposed open market system would be politically more palatable. But why should we resign ourselves to a major departure from the Fund's principle simply to enable a member country to practice a deception upon its public?

There remains the French argument that since most other European currencies are over-valued in relation to the dollar, it is necessary to devalue the French franc more sharply for trade transactions with the dollar area than for those with other European countries. But widespread resort to discriminatory devaluation, especially through open market rates subject to official manipulation for the accomplishment of other purposes, would very seriously compromise the attempts by the Fund to secure an orderly and consistent readjustment of the pattern of exchange rates. It would seem far preferable for the French

to accept for the time being the technical disadvantages inherent in a flat devaluation to any given level, and to join with the United States in pursuing a vigorous policy through the Fund aimed at hastening the readjustment of other over-valued currencies.

Mr. Ness reported that the French Ambassador had informed Mr. Lovett that if the proposal is rejected everything will fall apart in France (almost going as far as to say that the cows will stop giving milk), and that it would cause a fall of the Schuman Government. Mr. Lovett and the Ambassador think that this latter statement might be true. However, Mr. Lovett felt that the U.S. Government should consider itself free to reject the French proposal on technical grounds. His position was that we should approve all the aspects of the French proposal we can but vote "no" on the one element we cannot accept.

Action. The Council unanimously agreed to take the following action:

The National Advisory Council advises the U.S. Executive Director on the International Monetary Fund that he should accept all the other elements of the French proposal but vote to reject the proposal that the French have a free market for 50 percent of the export proceeds to convertible currency areas.

Fund Staff Proposal. Mr. Overby, Mr. Southard, Mr. Ness and Mr. Knapp agreed that the suggested new compromise of the Fund staff appeared on preliminary examination to be impossible to accept. The National Advisory Council unanimously agreed that the Fund staff proposal of all currencies floating up and down with the dollar, and attached to it by fixed cross rates, should not be accepted.

Mr. Southard said that if France does go ahead with its original proposal, it should commit itself to prohibit commodity arbitrage arising out of this new system. Mr. Valensi agrees to this. Secondly, that France should be in touch with its competitors in Europe in case it should develop that the system developed into a devaluation which gave France an unfair competitive advantage in the United States. Mr. Overby suggested that the French should agree also that their system would be initially proposed for only six months. The Chairman summed up the position that the U.S. Executive Director should follow the instructions just given by the Council; if the French go ahead anyway, he was authorized to vote for the Fund's issuing a statement disapproving the French action. Finally, if any proposal came up which appeared to be substantially in line with the position of the Council as brought out in the discussion, the U.S. Executive Director was authorized to accept it.

Current Economic Developments, Lot 70D467

Current Economic Developments

[Extract]

SECRET

[WASHINGTON,] January 26, 1948.

No. 135

MULTIPLE FRENCH FRANC RATE STIRS UK AND FUND

Climaxing weeks of rumors the French announced on January 25 that effective the following day the franc would be devalued in order to achieve stabilization of the French economy.

The Plan. The essential features of the plan are as follows: The par value of the French franc would be reduced by 44.444 percent, which would result in a change in the rate from approximately 119 francs per US dollar to approximately 214. At the same time a multiple currency practice would come into effect, whereby gold, the US dollar and other convertible currencies would be bought and sold in a free market inside France at unpegged rates. French exporters would be permitted to sell in this market one-half of their export proceeds in the designated currencies, the other half to be sold to the French monetary authorities at the official par value. In this free market French importers would be permitted to buy the designated currencies needed to pay for non-basic commodities. In addition, various "invisible" transactions would be authorized to take place in this market, including exchange transactions of tourists, capital transfers and other non-commercial remittances.

The parities of the homeland franc (of Continental France) with the other currencies of the franc zone are not modified except as regards the franc of the French territories of the Pacific as well as the French rupee. Their rate in relation to the dollar and the pound sterling remain unchanged.

UK Position. The UK has vigorously opposed the plan with its multiple rate features. The new rate will reveal the over-valuation of the pound sterling and put pressure on the British to devalue the pound, which the UK has been determined not to do. The official rate for the pound will be 864 francs, whereas, as indicated by the black market, the pound is worth fewer francs. The British fear that the new rate will place them at a disadvantage in meeting French competition not only in goods but also in the tourist trade.

Exporters from France to the US would receive a rate midway between the official rate of 214 francs and the free market rate of perhaps 340, namely 277 francs. Because exports from France have a favorable

free market rate whereas imports have a different and lower (also favorable) official rate, British goods imported into France, it is feared in some quarters, would be re-exported to the US and net the exporter a substantial profit.

US Position. The US welcomes an adjustment in the French rate and while we do not necessarily approve of the multiple features of the plan adopted, and regret the disagreement between the International Monetary Fund and France, we recognize the difficult position France was in. The US works through the Monetary Fund and does not want to take unilateral action which may be interpreted as interference in the affairs of another country. Our representatives on the Fund were allowed wide discretion to act on the basis of the merits of the case.

International Monetary Fund Position. The Monetary Fund feels that France violated the agreement and that other members are, therefore, relieved of their obligation to maintain rates against the franc within the margin of one percent, as provided in the Articles of Agreement. The Fund held prolonged discussions with French financial authorities and made compromise proposals, all of which were rejected by France as not meeting her needs. As the result of this action by France, there is no agreed par value for the franc at present. The Fund agreed, however, with France that it was desirable to devalue the franc at a more realistic rate but opposed a multiple rate structure; it felt that the multiple rate gives a competitive advantage to French exporters in comparison to those of other countries.¹

¹ For the texts of various public statements relating to devaluation of the franc, see *Keesing's Contemporary Archives*, 1946-1948, pp. 9079 ff.

351.00/1-2948: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, January 29, 1948—3 p. m.

US URGENT

515. In view of the degree of Socialist responsibility for the present French political crisis, I made occasion to convey informally to Léon Blum¹ my serious apprehension over political developments of the past week.

At the outset I made it clear that I was not arguing the merits or demerits of the government's financial policy which was beside the point. My major preoccupation was the fact that the Socialist Party,

¹ Leader of the French Socialist party, and former President of the Council of Ministers.

by its recent action, appeared to me to be in the process of destroying the present government, and by so doing was discrediting the democratic forces of the center and playing directly into the hands of the Communists and De Gaulle. I observed that the Socialists have consistently maintained that their major objective is the survival of a centrist coalition—which Blum himself named the “third force”—and that they are also the leading exponents of “the war on two fronts against the twin perils of Communism and Gaullism”. With this in mind, the present Socialist position is completely incomprehensible to me unless it means that the Socialists have changed and are now interested primarily in Socialist doctrines and partisan politics and only secondarily in the survival of the “third force”. Whether or not this is true, I said I could only reiterate the personal conviction that the Socialists, by the tactics they have pursued for the past several days, have diminished the “third force’s” possibilities of survival and have aided both the Gaullists and the Communists.

Blum expressed pained surprise that anyone should think that Socialist policy vis-à-vis the “third force” has changed. He said that above all, the Socialists desire its survival. He added, however, that the Socialists could not alone be expected to bear all the sacrifices in their desire to prevent extremists of the left or right from taking over France.

He then went on to criticize the way Schuman had handled the devaluation and financial projects. In particular he was very critical of the lack of liaison between the governmental parties and said that in this instance the government’s proposals had been worked out by Schuman and René Mayer and the Socialists had no say in their formulation. Indeed, he said, they were only informed of their scope when the government had already committed itself very far. The Socialists had protested very strongly against the free gold and security market but nonetheless Schuman and Mayer had insisted that the plan as drafted must be adopted. The Socialists could not agree to this and told Schuman that if he would not revise the plan the Socialists could not support it; therefore he should not pose the question of confidence in the debate because they would be obliged at least to abstain. Blum said that in his opinion, this Socialist attitude had left an out for the Schuman government for if the question of confidence were not posed and the government failed to get a majority, all Schuman would have to do would be to replace René Mayer with Paul Reynaud and the crisis would be resolved.

I replied to Blum that I could not disagree more with this view. I said that a vote against the government, even if the question of confidence were not posed, would be a clear indication to the country

at large that, the present government literally represented nothing. The government's efforts to obtain economic stabilization, which alone could bring social and political stability depended to a great extent on restoring public confidence. An adverse vote would have precisely the the opposite effect and would so diminish the government's authority that it would be difficult to see how it could long survive.

At this point Blum said that speaking very frankly the question of the free market for gold and securities was not really the basic question which had antagonized the Socialists and led them to oppose the government. The basic question he said was the fact that the Schuman policy had placed the government in direct opposition to the British Labor Government. This he said was unthinkable to the Socialists, violated their cardinal international concepts, and would, the Socialists feared, adversely affect the entire future of France and western Europe. He said, that regardless, if it had meant changes in the French Government's devaluation proposals, the French Government had a primary international duty not to embark on any course of action which would work against true international cooperation with the democratic countries and particularly Britain "with whom the closest cooperation is imperative if France and Europe are to survive". Blum said that he fully shared the belief expressed by his "British Labor friends" that the French Government's devaluation policy would make Franco-British and western European cooperation infinitely more difficult.

I said to Blum that while I well understand the British reasons for disagreeing with the French devaluation policy, I did not believe, once the French decision was irrevocably taken, that it was in the interest of the British Labor Party or that the latter wished to have the Socialists create a political crisis which would only weaken the democratic parties in France and increase the possibility of a show-down between De Gaulle and the Communists—a show-down which would obviously entail the disappearance of the political center, including of course the French Socialist Party. I said to Blum that if the Socialist tactics of the past several days resulted primarily from a desire in some way to assuage the British Labor Party I felt they were being completely unrealistic. I said that the policy of the French Socialist Party once the French Government's decision on devaluation was made should have been to make the best of the situation and not the worst as I had the impression they had done.

Blum said he agreed that there was no use crying over spilt milk and said he hoped and believed that the crisis will be resolved today without Socialists refusing to support the government.

From Blum's comments and from talks with other Socialists and

French political leaders, I have the impression that the British Labor Party bears some responsibility for the development of the present French political crisis. There seems little doubt that the British, in their efforts to prevent the French Government from going through with its devaluation plan, brought pressure to bear on the French Socialists, particularly Blum. I assume that once the French decision was taken the British Government, despite its apprehensions over the effects thereof, desired to make the best of the situation and did not wish the French Socialists to participate in a political crisis.² If this is correct the British seriously miscalculated the effects of their pressure on Blum. Blum feels spiritually almost one with the British Labor Party and the pressure the latter subjected him to appears to have aroused all sorts of fears in his mind that France is isolating itself and moving away from Britain. These apprehensions have, I believe, tended to cloud from Blum the basic realities in the present situation.

Sent Department as 515; repeated to London as 61.

CAFFERY

²In telegram 545, January 30, 7 p. m., Caffery added the following: "The British Ambassador tells me that although they are unhappy about some phases of the franc devaluation they are prepared to accept it as a 'fait accompli' and make the best of the situation, primarily because they do not desire to do anything to shake the Schuman Government. They would be extremely unhappy if this government were to fall and the Chamber were to dissolve itself at this juncture."

851.20/1-3048

The Ambassador in France (Caffery) to the Under Secretary of State (Lovett)

TOP SECRET

PARIS, January 30, 1948.

DEAR MR. LOVETT: With reference to our exchange of telegrams on the subject,¹ I am enclosing a memorandum which sets forth views on the French National Defense problem expressed by M. Georges Bidault, French Minister of Foreign Affairs, and M. Pierre Henri Teitgen, French Minister of Armed Forces, in the course of a conversation with Major General Harold R. Bull² and myself last evening. The remarks of Messrs. Bidault and Teitgen have been set forth in some detail since it is thought that several different aspects of some of the points they touched upon may be of interest to our military authorities. Inasmuch as General Bull departed from Paris before the attached memorandum was prepared in final form I am enclosing an

¹ Not printed.

² General Bull, Deputy Director of the Organization and Training Division, General Staff, U.S. Army, was in Europe as personal representative of the Chief of Staff, U.S. Army (Eisenhower).

extra copy which you may wish to have transmitted to him. I am also enclosing a copy of the report of the more technical conversation which General Bull had the next day with General Mast and General Zeller, as prepared by my Military Attaché.³

I have few comments to make other than that I concur with Messrs. Bidault and Teitgen that there is a widespread fear psychosis in Western Europe and particularly in France, that in the event of Russian aggression the United States does not plan to defend Western Europe and therefore it will be occupied by the Russians. Also it is my personal conviction that any future French Government with which we may have to deal, a Communist Government naturally excepted, will share very fully the opinion of Messrs. Bidault and Teitgen regarding the absolute necessity for a defense plan designed to defend Western Europe from Soviet occupation.⁴

With all good wishes,

Very sincerely yours,

JEFFERSON CAFFERY

[Enclosure]

*Memorandum of Conversation, by the First Secretary of Embassy in France (MacArthur)*⁵

TOP SECRET

PARIS, January 29, 1948.

In the course of a conversation last evening at which were present:

M. Georges Bidault, French Minister of Foreign Affairs,
M. Pierre Henri Teitgen, French Minister of Armed Forces,
Ambassador Caffery,
Major General Harold R. Bull,
Brigadier General F. J. Tate, Military Attaché,
Mr. James C. H. Bonbright, Counselor of Embassy,
Mr. Douglas MacArthur 2d, Secretary of Embassy,

M. Bidault and M. Teitgen expressed the following views in connection with the French national defense:

There is a very strong and widespread belief throughout France and the other countries of Western Europe (they mentioned Holland, Belgium, Luxembourg, Italy and even England) that in the event of war with Soviet Russia the United States does not plan to defend Western Europe but will abandon this area to the Soviets and base its defense lines possibly on the Pyrenees, but chiefly on North Africa. The French believe that in the event of war the United States military

³ Not printed.

⁴ This document was initialed: "G. C. M[arshall]."

⁵ A routing slip attached to this document is marked "OK—G. C. M[arshall]."

planners are thinking in terms of three main war theaters: 1) the Far East; 2) the Middle East (with its vital oil fields); 3) Western Europe. They believe that the United States attaches far more importance to the Far Eastern and Middle Eastern theaters than to the Western European theater. In particular they believe that the United States does not consider the war potential of Western Europe is sufficient or that the social and political situation (particularly in France) in Western Europe is stable enough to justify the risk involved in endeavoring to defend Western Europe.

Bidault and Teitgen said that while there might have been some justification for the United States holding such views six months ago, there had been developments in the intervening period which in their opinion tended to establish the fact that the United States in its own interest should re-examine its strategic concept with a view to including Western Europe within the area which should be defended militarily against Soviet Russia. For example, France in its international relations has made its final choice between Soviet Russia and the United States and has aligned itself irrevocably and solidly with the latter (as proof they cited the position taken by France at the last Foreign Ministers Conference in London, etc.). Similarly, in the internal sphere the French people have definitively chosen against Communism. Teitgen and Bidault said that prior to the strikes of last November and December doubts on the part of the United States of the ability as well as the will of the French Government and people to prevent the Communists from taking over France were understandable. As a result of the events of last November and December, however, it should now be clear to us that the overwhelming majority of the French people are opposed to Communism, are willing to fight it and that the Government itself has sufficient strength and authority to suppress any Communist attempt at insurrection. Thus, France's position and action—both international and internal—justified and even required the United States to give the most serious consideration to an over-all plan looking to the defense of Western Europe. Teitgen and Bidault both emphasized that despite the present governmental crisis and even if they “were not in the Government tomorrow” they were fully justified in exposing the foregoing situation to General Bull, because they could state positively that any French Government, from de Gaulle to the Socialists (the Communists naturally excepted) would take exactly the same position that they were taking and would insist on the necessity for an over-all strategic military plan looking to the defence of Western Europe.

General Bull then asked whether in the event of war the French Government could maintain internal order in the face of a Communist

uprising. Teitgen and Bidault both replied that if the front were "as far to the East as possible" in Germany and if the front were not broken by the Soviets the French could guarantee that order would be maintained, although the Communists would certainly be able to commit some sabotage behind the lines. "Under such circumstances, however, the Communists would not be able to stage a successful uprising and the French people would be united in their efforts to crush them."

As proof of the state of mind of the majority of French people when faced with a grave Communist threat, Teitgen cited the fact that in the disorders last November and December the French Government originally had only 27,000 combat troops at its disposal in metropolitan France. It had mobilized 290,000 men, Teitgen said, "in perfect order and discipline and there was not one single case of a mobilized individual having to be brought before a military tribunal"—this despite the fact that food, uniforms and general living conditions for the conscripts were very unsatisfactory. He added that in southern France, where the Communists are strong (he mentioned the area from Nice through Marseille to Montpellier and Nîmes) there had been a complete stoppage of all rail traffic as a result of the strikes. Nonetheless when the conscripts received the announcement of their mobilization 87% of them reported on time, despite the fact that they had often to proceed distances of well over 60 kilometers on foot or on bicycle, and despite the fact that in view of the paralysis of transportation they had legal grounds for not reporting on time. This spirit, Teitgen reiterated, reinforced his conviction that in the event of war if an unbroken front could be established in Germany as far to the East as possible, the French would be able to cope with any Communist insurrectionary actions in the rear.

On the other hand Teitgen and Bidault both stated that if the front were penetrated by the Soviets or if it were established well inside the French frontiers, the French people who have been invaded and occupied three times in seventy years would believe that a Soviet occupation was imminent and inevitable. This psychological outlook would so sap their will to resist the Communists (because the population would wish to take no serious anti-Communist action which would invite hideous reprisals when Soviet occupation occurred) that the Government in all probability would not be able to maintain order.

In connection with the present Communist efforts to take over Western Europe, Communists were counting heavily on two major factors.

The first of these factors is misery. Misery resulting from a deterioration of the Western European economic situation was necessary

from Communist viewpoint to create a situation involving increased suffering and hardship for the masses which the Communists would exploit to "capture" a demoralized and disaffected population. The Communists' hopes to create "misery" had been dealt a severe blow by the Marshall Plan, which the two Cabinet Ministers believe will prevent the economic deterioration on which the Communists had been counting.

The second great factor is fear. They said that in addition to preventing misery, it is equally or more important to eliminate the fear psychosis which is weighing so heavily on Western Europe, and which in fact saps not only the will to resist the Communist offensive but the very strength of the Western European peoples. The fear complex stems from the belief that should war break out, the United States will abandon Western Europe to the Soviets; that the Russian hordes will occupy the area, raping women and deporting the male population for slave labor in the Soviet Union; that France and Western Europe will be occupied and devastated by the Soviet hordes and atomized by the United States. They said that as long as such fears exist it is virtually impossible to envisage a strong Western Europe. Furthermore, serious military cooperation between the Western European countries looking to their own defense is to all intents and purposes purely theoretical unless the countries believe that there is a reasonable possibility of successfully defending themselves. They will only feel that there is such a reasonable possibility if they have the encouragement and backing of the United States and believe that the United States plans to try to defend Western Europe.

As additional argument why Western Europe should be included in the area which the United States will endeavor to defend Bidault and Teitgen said that in the event of war with Soviet Russia they had not the slightest doubt of the ultimate victory of the United States, although it would unquestionably be a long, bitter and hideously costly struggle. However, if Western Europe were not defended the United States would find after the struggle that this area, as a result of Soviet occupation and atomic warfare, would be completely devastated and depopulated. There would be no Western European civilization or population to share with the United States the task of reconstruction. In other words, the United States after its victory would have only Asiatics and African and Colonial natives with whom to cooperate in the task of world reconstruction.

For the foregoing reasons both Bidault and Teitgen expressed the conviction that American strategic planning should be based on a defense of Western Europe. They pointed out that Western Europe would not be coming empty-handed and could make a solid contribu-

tion, particularly in the form of manpower and also light equipment, etc. France, for example, could furnish between one and two million men with light arms, equipment, etc., and might even eventually be able to furnish some items of light equipment to other Western European countries which were a party to the coordinated defense plan, if they could count on obtaining certain heavy equipment, that the French were unable to manufacture in reasonable quantity or quality, from the United States.

Teitgen then said that while he realized General Bull was in Paris in a purely unofficial capacity, and was not authorized to do other than listen unofficially to the French point of view, it is urgent that France have an indication of what the United States could do to help. He made it clear that he was thinking of the establishment of coordinated general defense plans for Europe in terms of the immediate future (he mentioned within the next year or fifteen months) and that he would be interested in receiving the answers to such questions as :

1) Does the United States really want and will it encourage and back military talks and understandings between the countries of Western Europe looking to a definite plan to defend Western Europe?

2) Given the serious condition of French economy the French Army is faced with a grave problem trying to maintain the equipment for its forces now under arms. For example, insofar as heavy material is concerned the French are producing a few tanks, airplanes, self-propelled weapons, etc., but at terrific effort and waste of their limited resources. If the French could concentrate largely on producing certain items (particularly light arms and equipment, etc.) and could depend on us for certain categories of heavy equipment they would be able to obtain from their resources maximum utility and could arm and equip a very considerable number of divisions. With this in mind the French would like to know what we can do to furnish them such heavy equipment on a basis of equipping perhaps somewhere between twenty and forty divisions. If we could help, in addition to equipping themselves they might also eventually be able to assist other Western European countries.

General Bull said that as he had made clear from the very beginning and as M. Teitgen correctly understood, he was not, of course, in a position to even try to answer the questions put forward by M. Teitgen. His sole mission was to try to get as clear a picture as possible of what the French had in mind. He understood the critical problem with which the French were faced but hoped that M. Teitgen would understand that we also had supply problems. If French requirements could be met from surpluses it would be one thing, but from existing surplus he did not think that more than one percent would be suitable. Heavy items, such as motor transport (which in reply to General Bull's question Teitgen had indicated were a critical item)

which the French needed so badly were also in short supply with our own military establishment. Therefore if we were to furnish them to the French they would have to be manufactured, which in turn would require the voting of credits for such a purpose, etc. This was a political and governmental question and not one which could possibly be treated on a military level, either officially or unofficially.

General Bull said that nonetheless he appreciated very much the opportunity which had been given to him to listen to the French exposé and that if the French, quite informally and completely unofficially, wished to give him an indication, perhaps in memorandum form, which would clarify the French thinking and what they were in a position to do themselves, it would be helpful to him in getting the over-all French picture.

Teitgen agreed and indicated that he would cause an informal paper to be prepared for him—but that it would probably take a minimum of 8 or 10 days.

851.00/1-2948 : Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, January 30, 1948—4 p. m.

US URGENT

297. Urtel 515 rptd London as 61.¹ Dept increasingly concerned by atmosphere of crisis prevailing in Paris and its disintegrating effects on coalition. Your talk with Blum approved. Do not hesitate approach Blum again or other leaders whose parties show signs of bolting whenever you feel this action would be salutary.

Gallman may wish indicate in proper quarters our concern lest things get out of hand in Paris at this time.

Sent Paris as 297 ; rptd London as 317.

MARSHALL

¹ Dated January 29, p. 613.

Paris Embassy Files

*The Director of the Office of European Affairs (Hickerson)
to the Ambassador in France (Caffery)*

PERSONAL AND TOP SECRET

WASHINGTON, February 3, 1948.

DEAR JEFF: Underlying all our exchange of cables and letters concerning the conveying of our views to General de Gaulle has been the agreed assumption that it was too dangerous for you to see him personally, that it would be impossible to arrange a clandestine meeting,

that leakage of such an interview would give rise to speculation, distortion and misinterpretation in the press and would both offend and weaken the third force.

On the other hand your expert communication of our views and advice through the General's entourage has had little visible effect. While from what I know of the General I am not sure that greater effect would have been achieved had you talked to him personally, the fact remains that as far as the record is concerned the only American of official standing who since the municipal elections has talked to the man who may be running France in the near future is John Foster Dulles.¹

Therefore I should like you to give me some idea of the mechanics and amenities involved in you or (what would probably be safer) some member of your staff seeing the General in the most discreet manner. Also I should appreciate receiving your considered views on the pros and cons of such a meeting (*a*) just on general principles to protect the record and make sure the General knows our views, even if he does not intend to act on them and (*b*) on an occasion when we may have something definite and immediate to impart to the General.

Sincerely yours,

JOHN HICKERSON

¹ Mr. Dulles, a member of the United States delegation at the fifth session of the Council of Foreign Ministers at London, had conferred with General de Gaulle in Paris on December 6, 1947.

851.00/2-448 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, February 4, 1948—7 p. m.

429. While discussing a number of questions with Sargent¹ today I said to him that any developments at this juncture threatening stability of French Government would give US concern. Sir Orme said that Foreign Office would view such developments similarly. In fact, when franc devaluation discussions were going on every directive to negotiators had been accompanied with caveat that matters were not to be pressed to point where Schuman Government would be overthrown. Foreign Office, he added, adhered to view that any weakening of Schuman Government at this time would be very serious development.

Sent Department 429; repeated Paris 35.

GALLMAN

¹ Sir Orme G. Sargent, British Permanent Under-Secretary of State for Foreign Affairs.

Paris Embassy Files

The Ambassador in France (Caffery) to the Director of the Office of European Affairs (Hickerson)

PERSONAL AND TOP SECRET

PARIS, February 13, 1948.

DEAR JACK: I was glad to get your letter of February 3 regarding the question of a more direct contact with General de Gaulle since this has been a problem which has preoccupied me more and more in recent weeks and I had already come to the conclusion that something would have to be done before very long to remedy the situation.

My own conclusion is that even if the General were willing to receive a member of my staff (which I doubt), it would be unrealistic to count on being able to keep such a meeting secret. (You will recall that when Mr. Dulles saw the General "secretly" two members of the press were awaiting him on the street as he emerged from the interview.) Consequently, I think the only thing to do is for me to arrange to see the General myself and to do so as quietly as possible.

In connection with such a visit, I think that there are three factors of varying importance which should be taken into consideration:

1) As you know, the General's invalid daughter died only a few days ago. I am told that he was devoted to her and I would not wish to approach him until a decent period has elapsed—say another two or three weeks.

2) If possible, my visit should be timed to take place when the Government is in a relatively strong position and it is not in the middle of a crisis of some kind. Otherwise it would give weight to the inevitable outcry that the United States Government regards the Schuman administration as doomed and is deserting it for de Gaulle.

3) Prior to seeing the General I should frankly tell Schuman, Bidault and Blum of my intentions in order that they may be in a position to tell their supporters that they had been consulted in advance. In discussing the matter with these three men, I would propose to place my desire to see the General on the grounds that while we occasionally see members of de Gaulle's entourage, we have no means of knowing that our views are fully and accurately reported to the General and that it is important that he, as a prominent Frenchman, should know exactly where we stand on important questions of the day. (I saw Blum this afternoon and spoke to him along the above lines. I shall take early occasion to speak in similar vein to Schuman and Bidault.)

I trust that the above will meet with the Department's approval. I think at least a brief flurry is inevitable when the visit takes place, but

I hope and expect that the procedure I have outlined above will hold damaging speculation to a minimum.¹

With kindest regards,

Very sincerely yours,

[File copy not signed]

¹ On February 17 Hickerson replied that he thought Caffery should go ahead with the proposed meeting, using his judgment "as to timing and amenities" in consideration of the three factors listed.

851.00/2-1448: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, February 14, 1948—noon.

824. Gaullists and Communists here have this in common at present juncture: namely, that former believe and latter hope that "Mayer experience" is complete failure and is leading country to brink of disaster. Both groups consequently speak of necessity of changing government.

Communists are beginning to be greatly encouraged by perspective that "prices will continue to rise," thus prolonging and even accentuating "climate of monetary insecurity" to which reference is made in latest communiqué issued by their political bureau on February 12. This "climate," they feel sure, will create "political" as well as economic situation in near future which will greatly favor their endeavor to regain confidence of working class as latter's "sole defender." In this connection, they are now convinced that CGT (French Confederation of Labor)—FO (Force Ouvrière) will hardly be in position to continue to break [*brake?*] "workers' demands" for higher wages.

Communists are now saying openly that since present government is "Fascist", General De Gaulle's arrival to power would only sharpen present "class struggle." There seems to be little or no doubt in minds of competent observers here that Communist leadership here would now welcome a Gaullist government as catalyst in further disintegration and division of "bourgeois state" into two hostile camps.

While Communists realize that Gaullist government probably would endeavor to drive them underground and crush them, they consider that Gaullist movement is essentially reactionary and consequently General De Gaulle, regardless of his personal prestige, would not be able to unite all classes of nation and would not be able to solve fundamental problems that was case when he had all the cards. Unquestion-

ably, endeavor to liquidate Communist movement in France would oblige French Communists to undergo another painful period of "illegality" but ensuing disorder would certainly benefit at least Kremlin's short-range objectives; namely, rendering American aid to France as costly and as ineffective as possible.

Sent Department 824, repeated Moscow 45.

CAFFERY

851.51/2-1648: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, February 16, 1948—8 p. m.

855. For Lovett. Jean Monnet¹ has given me the following strictly confidential comments in regard to the French supply situation and its relation to the proposed \$150 million Export-Import Bank loan (Department's telegram 426, February 11)²:

1. Monnet summarized two telegrams received from Bonnet reporting his conversations this past week with you and Martin³ regarding the proposed loan. The telegrams indicated that "Bonnet was rather fuzzy about the magnitude of the problem and the importance of the time element". His telegrams indicated that the prospects for the loan were not good and Bonnet attributed Martin's reluctance, not only to the Administration's disinclination to introduce a new factor into the picture at this critical period in the ERP hearings, but also to Martin's desire to protect the specific position of the Eximbank at a time when its role in the ERP administration was under consideration by Congress.

2. Bonnet in a subsequent telephone conversation with Monnet had indicated, however, that the French Government should continue to press for the Exim Bank loan. He made two additional comments which Monnet regarded as very significant and as providing for the first time a basis on which the French Government could do specific planning for the coming months:

a. The action of the Senate Foreign Relations Committee in voting out the \$5.3 billion bill on a one year basis had established a ceiling and under no circumstances would France's availabilities from ERP sources be more than its proportionate share of this total as might be anticipated from the Department's country studies.

b. It appeared likely that final action on the ERP bill would be taken about the middle of April or shortly thereafter.

c. The conclusions Monnet reached from the foregoing are (a) that it defines France's short-term international financial problem

¹ Commissioner General of the Plan for Modernization and Reequipment of the French economy.

² Not printed.

³ William McChesney Martin, Jr., Chairman and President of the Export-Import Bank of Washington.

as being one of financing March arrivals in France of those essential commodities not covered by interim aid funds plus all April arrivals except wheat and (b) that some additional French dollar resources will be required to supplement ERP funds if the French recovery program is to go ahead on the basis planned by the French (please see section 1 my 813 February 13, and 832 February 14).⁴

d. Re (a) the planning commission is proceeding to schedule an import program for supplementary needs in March and for April arrivals, the latter being uncovered financially except for US wheat shipments under the balance of the interim aid program. The commodity schedule, quantities and costs, should be known to the Embassy shortly after consideration of the program this Thursday by the Interministerial Import Committee. From the projection made by the French, as transmitted my telegram 705 February 7,⁵ it may be anticipated that the uncovered deficit for April will be neighborhood \$120 million. To this must be added the supplementary March imports which include imports crude petroleum beginning March 20, additional cotton imports and purchase of key industrial raw material items whose stock position is approaching exhaustion.

e. Monnet, in considering the alternatives, was of the opinion that France simply could not afford a hiatus in its import program. A dip in industrial production is already occurring and economic retrogression will become serious unless new orders are placed abroad in the near future. An import "gap" would not only lead to large-scale unemployment with social unrest, but would defeat that phase of the stabilization program which assures a large flow of essential consumers goods and a stock of goods to be available to farmers for their commodities.

f. Monnet, who spent some years in Washington, understands very well the Administration's reluctance to go ahead with the Exim Bank loan if it would jeopardize the ERP presentation or delay its enactment. Furthermore, he recognizes the danger that announcement of such a loan at this time might lead Congress to reduce the ERP appropriation by the same amount with subsequent reduction in the allocation of ERP funds which otherwise would be available to France.

g. The conclusion he reaches, is that the only alternative to an Exim Bank loan would be the hypothecation to the Federal Reserve Bank of New York of a portion of the remaining gold reserve of the Bank of France. He said that Mayer and Monick⁶ would be very reluctant to take this step because it would increase public apprehension at a time when the stabilization efforts require an increase in public confidence.

I have asked Monnet to submit to us along with the import program a complete analysis of France's balance of payments position during

⁴ Neither printed.

⁵ Not printed.

⁶ Emmanuel Monick, Governor of the Bank of France.

March and April and upon receipt of these documents it should be possible to measure the magnitude of the problem as well as to consider what steps we could take to assist, as, for example, by expediting US Army payment, and the second distribution of German looted gold.

CAFFERY

865.00/3-248 : Telegram

The Secretary of State to the Embassy in France

TOP SECRET

WASHINGTON, March 2, 1948—7 p. m.

663. Deptel 721 March 2 to London, rptd Paris 662.¹ For the Ambassador. Please inform Bidault we share Fr concern re Ital situation and inevitable repercussions which Communist success in April 18 elections would produce throughout Western Europe as well as Eastern Mediterranean. You may assure him US will also give all possible support Ital Govt in this critical period, and that we are most anxious cooperate with Fr and UK Govts, feeling combined efforts would greatly enhance general effect measures three govts may find it possible take.

We assume Bidault will desire impress upon Bevin Fr position this matter, and you may inform him action we are taking in this connection. At same time, you should mention measures in which we invite cooperation Fr and UK Govts, and say we hope you may continue discussions with him re further steps which may become possible. Please assure Bidault we would welcome any suggestions he may have.

Sent Paris 663 rptd London 722 Rome 545.

MARSHALL

¹ *Post*, p. 837.

851.00/3-448 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, March 4, 1948—6 p. m.

1159. Bidault was grateful and in complete agreement with Deptel 663, March 2. He said again he is gravely concerned about the April 18 elections in Italy because if the Communists enter the Italian Government the French Government will be placed in a vulnerable and very dangerous position. (See my immediately following telegram).¹

¹ Telegram 1167, March 4, 8 p. m., not printed; it reported that Bidault felt that it was important for France, the United Kingdom, and the United States to support the Italian Government on the question of the former Italian colonies. (865.00/3-448)

However, he insists (Deptel 680 March 3)² that at this juncture the French Government is prepared to handle any attempt at aggression on the part of French Communists; and the Ministry of Interior is on the lookout for anything in the nature of a fifth column aggression on the Czechoslovak model. "We do not want to shoot, but we will certainly shoot if necessary. If the Communists start something, and we are well aware that they have arms and are organized in a paramilitary way, armed forces will be prepared to take care of them." (He is a little over-confident perhaps.)

"But that would not be the case," he added, "if they are supported by Soviet troops from beyond our frontiers. After what has happened in Czechoslovakia and what is happening in Finland we are alarmed. From everything we have been able to find out, Russian thinking now is about like this:

"If we do not take over western Europe in the relatively near future, the Americans may wake up and then we shall be up against it. Of course, there is a little risk that the Americans may wake up sooner than we think and knock us out with some of their famous atomic bombs. However, we believe that the Americans are still 'des naifs' and will wait too long."

Bidault concluded: "I know that this may sound extravagant but we are sitting here under the guns and your people are on the other side of the ocean."

Sent Department as 1159, repeated London as 146, and Rome as 96.

CAFFERY

² The same telegram was sent as No. 313 to the Embassy in Belgium, p. 35.

Paris Embassy Files

The Ambassador in France (Caffery) to the Director of the Office of European Affairs (Hickerson)

TOP SECRET

PARIS, March 17, 1948.

DEAR JACK: Just a few lines to keep you posted on the subject of my seeing General de Gaulle.

About three weeks ago we discussed the subject informally with two members of the General's entourage who had been saying how advantageous a further mutual understanding of the American and Gaullist positions would be.

We took the position that we would welcome such a meeting and that I would be glad to have a frank talk with the General. We did not come out and request any date be fixed but let them understand that if the General thought well of the idea and believed it would be as useful as we did, that they would let us know.

We have just heard informally from the same members of "the entourage" that while the General "would normally welcome with pleasure such a conversation, he felt that it would be too dangerous at the present time." Our informant said that de Gaulle believes that it would be impossible to keep such a meeting secret (I fully concur in this), and he fears that the news of such a meeting at the present time might result in serious embarrassment to Prime Minister Schuman, which he wishes particularly to avoid at this time. (As I have reported, de Gaulle hopes to reach a satisfactory agreement with a majority of the Third Force through an agreement with Schuman.) Our source added, however, that conditions during the Easter parliamentary recess might be sufficiently stable to permit a talk between de Gaulle and myself without endangering the present Government's position and that should the moment then seem propitious, the General would get in touch with me "perhaps in two weeks or so."

Naturally it is somewhat encouraging to hear that de Gaulle is now talking in this more conciliatory vein yet I cannot help but feel that his restraint is at least caused in part by his belief that the situation is evolving very favorably for himself just now. What with the Pleven trial balloon (my telegram 1337 of March 13¹), it may well be that de Gaulle thinks he may absorb and take over the present Government, lock, stock and barrel, and thus come to power in a stronger and more secure fashion than if a crisis first occurs which might be laid at his doorstep.

Very sincerely yours,

JEFFERSON CAFFERY

¹ Not printed.

Paris Embassy Files

*The Ambassador in France (Caffery) to the Director of the
Office of European Affairs (Hickerson)*

TOP SECRET

PARIS, March 22, 1948.

DEAR JACK: With reference to my letter of March 17, I am dropping you this brief note to let you know that last Friday, Pierre Abelin, Secretary of State assigned to the Presidency of the Council of Ministers, raised the subject of my seeing General de Gaulle. Abelin, as you know, is very close to Prime Minister Schuman, and said he wished to let me know informally and quite unofficially that while Schuman was not opposed to my seeing de Gaulle, and in fact believed that in certain respects such a meeting might be helpful, he had been reflecting over it the last few days and did not believe that the present

moment was propitious. In view of this Abelin said Schuman hoped I did not plan to meet de Gaulle at this particular juncture as it might harm the Government's position.

In reply I said that I appreciated very much the frankness of Abelin's observations and wished him to know that I had no definite plans for meeting with de Gaulle at this particular time. I said that given de Gaulle's role in the present French political scene I believed, as I had explained to Schuman, that a meeting with him would be helpful from every point of view. Particularly, I felt that it would give me an opportunity informally to let General de Gaulle know current United States thinking on the general problem of France. I added that I would, of course, let Mr. Schuman know should a meeting between myself and the General be subsequently arranged.

Abelin expressed appreciation and said that, of course, neither Schuman, himself nor anyone in the Government had any desire to give the impression that they were trying to dictate whom I should or should not see. In view of my close relationship with Mr. Schuman, Abelin said the latter felt he could let me know frankly his view, that for the moment he did not believe that such a meeting would be helpful insofar as the Government is concerned.

With all good wishes,

Very sincerely yours,

JEFFERSON CAFFERY

851.5018/4-1948

Memorandum of Conversation, by the Associate Chief of the Division of Western European Affairs (Wallner)

CONFIDENTIAL

WASHINGTON, April 19, 1948.

Participants: Jean Monnet, Commissioner of French Reconstruction Plan

Pierre Siraud, Counselor for Economic Affairs, French Embassy, Washington

D. J. Reagan, Counselor for Economic Affairs, American Embassy, Paris

W. Wallner, WE

Siraud brought in Jean Monnet to talk about wheat allocations for France. It will be recalled that Monnet is here on an official mission for the French Government and that before he left Paris he suggested, in the course of a call on Ambassador Caffery, that great economic, monetary and political benefits would ensue if this Government could assure the French Government of sufficient grain supplies to maintain

the present ration until the new French crop is in. (See Paris telegram #1438, March 18).¹

By prearrangement with Highby of the Division of International Resources, Wallner handed to Siraud the Department's note of today's date concerning wheat supplies. (Copy attached)¹ Wallner explained that considerable thought had been given in appropriate quarters in Washington to Monnet's suggestion to Ambassador Caffery and that the present note was as far as we felt we could go at this time. In the next few days, he added, the final report on wheat availabilities in this country should reach the Department of Agriculture. If this report meets expectations it was hoped that the Secretary of Agriculture might feel able to announce a higher export goal. On the basis of this goal, if announced, it would be possible to make a careful review of French requirements and make an allocation of wheat to France which in the opinion of this Government should permit the continuance of the present ration until the harvesting of the French crop. Wallner carefully reiterated the terms of the note, emphasizing the importance of sources other than the U.S. as factors in the final determination of the French allocation. He added that while we were not yet in a position to meet Monnet's suggestion, we recognized its merit and were working in that direction.

After further discussion which indicated that Monnet thoroughly understood the American position, he raised the following point:

He said that he had received a letter from Jouhaux, the leader of Force Ouvrière, the non-Communist French trade union organization, in which Jouhaux had pointed out the difficulties he was having in keeping his people in line in view of the campaign of the rival Communist-dominated CGT to raise industrial wages in France by 20 percent. Mr. Jouhaux stated in his letter that a powerful factor for restraint would be a Government announcement that the French bread ration would be raised to 250 grams on May 1st. Monnet said that he had not been requested or authorized by his Government to take this question up with us but that he saw no harm in discussing it while we were talking about wheat. Wallner and Reagan said that Jouhaux's suggestion was as attractive as it was impracticable. They added that American officials had got white hairs trying to maintain the 200 gram ration and that even it was not completely assured: it was out of the question to contemplate raising the ration at this time and most probably until the French crop was harvested.

¹ Not printed.

865.00/4-2148 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, April 21, 1948—7 p. m.

2123. The initial French reaction (Communists excluded) to Gasperi's smashing victory in the Italian elections has been one of elation coupled with relief that the Communist threat on France's southern flank has received a definite setback. It will be recalled that prior to the Italian elections there was very serious concern over the situation in Italy—particularly in the north—and a fear that if the Communist-Nenni bloc emerged as the largest single group and was not then included in the government the Communists would foment widespread disorders, not excluding some form of insurrectionary or separatist action in the north. While the question of what form the Communist reaction to their defeat in Italy will take still looms large in the minds of most Frenchmen the outcome of the elections, and particularly the Communist losses in certain key industrial cities of the north, has tended—for the moment at least—partially to dissipate what was a very large and ominous cloud on France's international horizon.

Insofar as the French internal situation is concerned, qualified observers agree that the Gasperi victory in Italy should tend to strengthen the position of the Schuman Government. They are equally of the opinion that if the situation had been reversed and the Communists had polled the greatest number of votes (thus accentuating the Soviet peril on France's southern border) De Gaulle's position would have been strengthened.

Sent Department as 2123, repeated Rome as 197, London 310, Moscow 107 and Berlin as 177.

CAFFERY

840.50 Recovery/4-848 : Telegram

The Acting Secretary of State to the Embassy in France

CONFIDENTIAL

WASHINGTON, April 23, 1948—2 p. m.

1354. Urtel 1844 Apr 8.¹ Arguments typical expected Communist attempts in all participating countries mislead opinion and create resentment against ERP and US by (*inter alia*) ostensibly defending interests special groups population. Our view is that making ERP work is basically responsibility of participating countries and that counteracting such propaganda is essential part this responsibility.

¹Not printed; it referred to charges by French Communists that American farm machinery and other aid to agriculture was going principally to "reactionary" large-scale farmers and that heavy importation of American products would force down French farm prices (840.50 Recovery/4-848).

Within certain very general policies with which Administrator may wish this Govt to be associated, French themselves will have responsibility not only for distribution of ERP supplies received but also for the public relations of program within France. Type of attack mentioned reftel is in essence attack on project of French Govt and it is assumed latter will wish act accordingly.

You should impress above on French officials.

Please continue follow carefully and report major Communist Anti-ERP propaganda lines. LOVETT

851.00/5-848 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, May 8, 1948—3 p. m.

2472. Mytel 2420, May 6th.¹ As Department is aware it was my intention to have a conversation with De Gaulle and in many ways that would have been desirable at this juncture. However, as I have reported the President of the Council of Ministers asked me not to do so, and in the past few days it has been indicated to me that this opposition is stronger than ever. Schuman and other members this government are convinced that if such a conversation were known to the public (as it would be known) there would be immediate defections from the government's supporters in the Assembly involving even the possible fall of the government.

It is obvious that for a variety of reasons we cannot run the risk of weakening the Schuman government at this time, but I and members of my staff will continue to make occasion to express our views to members of De Gaulle's entourage. CAFFERY

¹Not printed; it analyzed a report that General de Gaulle was becoming increasingly critical of the Schuman government for (a) its "irreparable abandonment of France's security requirements [against Germany] without corresponding concessions by the US and UK", and (b) its agreement to participate in the military organization of Brussels Pact signatories, which was "an abandonment of French military autonomy". (851.00/5-648)

851.61311/5-1948 : Telegram

The Secretary of State to the Embassy in France

SECRET

WASHINGTON, May 20, 1948—6 p. m.

US URGENT MOST IMMEDIATE

1742. Urtel 2645 May 19.¹ US prepared ship within first ten days July, possibly within first week, three additional cargoes wheat to en-

¹Not printed; it included a statement that the French Government was willing to accept the risk of possible delay in delivery of 25,000 tons of wheat because of "paramount importance politically in helping counteract threat by General Confederation of Labor to demand 20% wage increase on 1 June." (851.61311/5-1948)

able French increase ration to 250 grams first June. Shipments will be in form three cargoes wheat totalling 27,000 tons or two cargoes wheat and one flour accounting for 30,000 tons wheat equivalent. These cargoes should therefore arrive France by July 25 as specified. Planned scheduling June allocation as follows (figures in cargoes) : First week June, 3 wheat, 2 flour; June 11-17, 3 wheat, 1 flour; June 21-24, 4 wheat; total 10 wheat, 3 flour, accounting for 128,000 tons. This should all arrive France before July 15.

Please inform Monnet and Durand ² and keep Dept closely advised of developments.³ Assumed announcement when made will appropriately reflect role US and ERP. As VOUSA will wish pick up announcement immediately, please cable Dept as soon in advance as possible and in any event furnish 24 hr notice exact time announcement.

Keep Dept supplied subsequent French press comments suitable for radio use. Dept considers ability French raise bread ration so soon after passage ERP and before harvest concrete evidence international economic cooperation and splendid augury success ERP which will not be lost on peoples France and Europe. Dept commends Reagan and Thibodeaux for important part they played in negotiations.

MARSHALL

² André Durand, Director of the French National Cereals Board.

³ In telegram 2712, May 21, 7 p. m., Caffery reported that Schuman received the news "with enthusiasm" and said: "This will solve many problems. It could not be more opportune. Will you say to your government that I am enthusiastically appreciative and I thank them cordially." (851.61311/5-2148)

740.00119 Council/5-2148 : Telegram

The Secretary of State to the Embassy in France

TOP SECRET US URGENT WASHINGTON, May 25, 1948—5 p. m.

1791. Embtel 2720 May 21.¹ Pls reply to Bidault along following lines:

U.S. Govt has in recent months received a number of indications of French Govt's concern at state of international situation. While many unfavorable developments have taken place during past two years, there have of late been increasing indications that firm policies of Free Powers have already had stabilizing effect and tended to reduce tension.

¹ Not printed; it stated that Bidault had handed Caffery a note which referred to the recent American-Soviet conversations in Moscow (see vol. iv, pp. 834-864.) and called for urgent direct conversations between the American, British, and French Governments. (740.00119 Council/5-2148)

U.S. Govt is convinced it can best contribute to further stabilization and improvement of situation by continuing calmly and resolutely to follow this same firm course. It has endeavored to make clear to all concerned both its determination to do so and fact its policies can in no sense be justifiably taken as provocation by any one. These considerations apply equally to U.S. efforts to strengthen free countries of Europe, both through ERP and through eventual military support of some type which President has made clear will be provided with determination equal to that of free Europeans to defend themselves and for which broad nonpartisan public approval is being progressively gained. In this connection, French Govt has doubtless noted resolution unanimously recommended to U.S. Senate by Foreign Relations Committee on May 19.² That resolution provides a powerful bipartisan initiative looking toward implementation of President's March 17 declaration.³

U.S. Govt fully agrees on desirability of maintaining unity of policy in action between three Western Powers and trusts that French Govt, as well as Brit Govt, agrees as to soundness of position expressed above. While spectacular high-level meeting at this time might well have unfortunate repercussions, direct consultation between them is currently taking place in London. U.S. Govt hopes this consultation will further consolidate such unity. Should it fail to do so, effect on public opinion in a number of countries, including U.S., would indeed be unfortunate.

Mr. Marshall has asked me to express his earnest personal hope that French Govt can see its way clear to approving program for Western Germany formulated in London talks.⁴ After reviewing all aspects of problem, Mr. Marshall is convinced dangers of delay are more serious than those involved in implementing it promptly.

In larger field of security, U.S. Govt desires to strengthen ability of free nations of Europe resolutely to resist aggression and their confidence that they can successfully do so. It contemplates doing so in association with signatories of Five-Power Treaty⁵ and other nations in accordance with Senate resolution. It also desires to contribute toward maintenance of peace by making clear that, while its policies threaten no one, any armed attack affecting its national security will be met by immediate exercise of right of individual or collective self-defense recognized by Article 51 of Charter. When Senate resolution has been passed, form and extent of U.S. association with parties to

² See footnote 1, p. 118.

³ See p. 54.

⁴ Documentation on Germany is included in volume II.

⁵ For documentation relating to United States interest in the treaty signed at Brussels, see pp. 1 ff.

Five-Power Treaty of March 17 will be developed in consultation with parties to that Treaty. U.S. Govt will be motivated by desire to achieve objectives stated above and will give careful consideration to views of French, Brit, and Benelux Govts as to best means of achieving them.

(Sent Paris as 1791; rptd London as 1906; Berlin as 910.)

MARSHALL

851.00/6-1848: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, June 18, 1948—6 p. m.

US URGENT

3237. For State, Treasury and ECA. In view of the small majority (eight votes) which the Government obtained in the vote on London-German proposals¹ it is perhaps opportune briefly to summarize the Government's present position vis-à-vis French public and particularly Parliamentary opinion.

Insofar as public opinion is concerned, the Government's position has unquestionably weakened during the past month, largely as a result of the series of Parliamentary crises on the question of reduction in number of Government workers; Government subsidies to students attending Catholic schools; and the German problem. While all evidence points to the fact that a majority of the French people do not want the Schuman Government to fall since they cannot foresee what combination would succeed it and because they believe that in the next few critical months maximum possible political stability is essential if economic stability is to be realized, their belief in the government's ability to survive, and indeed even to cope with the situation has been seriously shaken by the last four weeks of almost uninterrupted atmosphere of crisis.

The Government's position vis-à-vis the Assembly has weakened even more. As I have reported, a most unfortunate "preelectoral" atmosphere is becoming increasingly evident in the Assembly, encouraged on the one hand by the desire of individual deputies and political parties to trim their sails for the October elections, and on the other hand by a feeling that the Communists are weaker now than they were during their offensive of last autumn (despite the disturbances at Clermont-Ferrand), that the internal economic and social situation is better, and that therefore political manoeuvring is not only permissible but even necessary. It is an incontestable fact that indi-

¹ For documentation on the recommendations on Germany submitted by representatives of the United States, United Kingdom, France, Belgium, the Netherlands, and Luxembourg to their respective Governments, June 7, 1948, see volume II.

vidual deputies and political parties within the Government majority are increasingly showing less real disposition to make concessions in the interest of national unity than they did several months ago.

As matters now stand it is generally believed that the Parliament will remain in session until the latter part of August, when it will adjourn until after the October elections. If the Schuman Government can remain in power until Parliament adjourns it will probably last till after the elections without great difficulty. Its real problem therefore is to survive the period till Parliament adjourns.

In view of controversial issues with which the Assembly is still faced and in view of the atmosphere now reigning in the Assembly, a majority of political leaders and qualified observers (within and without the government) believe that the chances of the Schuman Government, as it is now composed, to survive the next three critical months are small, and that if it is to survive the Cabinet will have to be soon reshuffled. (Bidault's position is so weak as a result of the German debate that he will have difficulty in lasting. Also René Mayer is unhappy about the economic and financial situation and is said by certain sources to be anxious to leave his present post in which event it might be offered to Paul Reynaud, although it is not certain by any means that at this juncture he would accept unless he believed there was a real possibility of succeeding. If Mayer is called upon to compromise seriously his policies he would in my opinion take this step.[])

Between now and the Assembly's expected adjournment in August the Government will have to surmount a number of hurdles, any one of which could result in an adverse vote, thus entailing Schuman's fall. The most serious question is, of course, the basic question of wages and prices. This is expected rapidly to come to the fore. In particular the question of an increase in the price of coal which would result in increases in prices of gas, electricity, transport, manufactured items, et cetera, is most serious for it would result almost inevitably in causing FO and CFTC to join with CGT in demanding wage increases. The Cabinet is split on how to handle this question, with the Socialists and MRP favoring Government coal subsidies to maintain the present coal prices and prevent a wave of social agitation followed by wage increases, whereas René Mayer, while realizing the serious social consequences in price increases and desiring to avoid them, is nonetheless opposed strongly to the principle of Government subsidies, and says he will not assume responsibility for Government subsidies which will throw his budget again out of equilibrium. (Schuman and Mayer have approached ECA Mission on possibility of continuing present coal price until October and covering difference through indirect use of counterpart. Mayer is seeking a way to avoid controversial issue at this

time without requesting subsidy. To do so in his opinion would compromise his position that subsidies must be abolished. Bruce² and Tomlinson³ have informally discouraged French in their request pending review of complete program. They are reporting discussions separately in detail. Ministerial Committee is taking entire question up this evening).

If the Government does succeed in finding some solution for the wage-price dilemma it will still be subject to serious strains on the following other issues which will come before the Parliament (1) the October cantonal and Council of Republic elections, particularly method of voting in the latter; (2) the discussions on the budget which will at best be acrimonious and which insofar as military expenses are concerned will be particularly heated; (3) the general question of French national defense which will be aggravated by the speech De Gaulle is expected to make at Verdun on June 20, bitterly attacking the Government for its defense and security program; (4) the question of the French press, and particularly the future of the so-called resistance press vis-à-vis the prewar moderate press; (5) the question of the limitation of surplus Government workers, which although temporarily settled by the recent Assembly vote may raise its ugly head again because of Socialist dissatisfaction.

In view of the foregoing it seems evident that the Government is going to have its hands very full indeed in the next three critical months.

Bruce and Tomlinson would appreciate foregoing being passed to Treasury and ECA.

Sent Department 3237, repeated London 562, Berlin 348, Brussels 88, Rome 272.

CAFFERY

¹ David K. E. Bruce, Chief of the Economic Cooperation Administration mission in France.

² William M. Tomlinson, representative at Paris of the Department of the Treasury.

851.002/7-2048 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, July 20, 1948—5 p. m.

NIACT US URGENT

3781. The resignation of the Schuman Government last night following vote against the Government on the Socialist amendment to reduce the military budget by twelve billion francs (actually Schuman had not posed question of confidence on Socialist amendment but only on Radical-Socialist amendment which was withdrawn by latter

yesterday) has brought to head a protracted latent crisis which began shortly after the Parliament reconvened in April after Easter recess.

As I pointed out in mytels 2733, May 22 and 3237, July 18¹ and as demonstrated by the Assembly debates of the last two months on the lay school issue, reduction in number of government workers, et cetera, a pre-electoral atmosphere was developing in the Assembly accompanied by clear and unmistakable signs that the governmental parties were progressively showing less inclination to make the mutual concessions which were necessary if even a semblance of governmental unity was to be preserved.

The fall of the Schuman Government was certainly unwanted by a majority of the Deputies and political leaders. Even the Socialists who bear, of course, the heaviest responsibility for provoking it are among the unhappiest and a number of Socialist Deputies and leaders including SFIO were strongly and openly opposed to the uncompromising stand taken by a majority of the party leadership. Such Socialists believed that Schuman's fall under existing circumstances would not only be blamed on their party but much more important, that only the Communists and Gaullists—particularly the latter—would profit from it. The Radicals are also not without responsibility because of the introduction last Saturday of the Anxionax amendment (my 3746, July 18)² implying censure of Teitgen. Yesterday, however, they did their best to repair their initial error by withdrawing the amendment and in the vote only one Radical opposed the government, the remainder supporting it or abstaining. (My immediately following telegram contains analysis of vote).² The Radicals' clear desire to avoid a major crisis gave rise to restrained optimism yesterday afternoon that Schuman would survive, but their action came too late as the position of both the Socialists and Schuman had become frozen.

It can be said with justification that when the debate on military credits began last week everyone realized that it would be acrimonious but no one actually then believed it would result in the government's demise. It is clearly evident that the real cause of the crisis was not a difference of opinion over a reduction of three and half billion odd francs in the military budget but by electoral preoccupations and party maneuvers connected therewith which, when put in motion, could not be stopped.

It is impossible at this juncture to predict the composition of the next government or who will head it. Early this morning Auriol³ began conferring separately with leaders of all the different parties and the parties themselves have all been meeting. As things now stand

¹ Neither printed.

² Not printed.

³ Vincent Auriol, President of the French Republic.

there are several combinations which arithmetically and in principle could muster the 311 votes necessary for investiture but which politically do not appear possible. For example, a popular front government (Communist, Socialist, Radical) appears inconceivable because even if the Socialists would play, the burning hostility of most Radicals towards the Communists makes such a coalition improbable to say the least. Similarly, a coalition grouping together representatives of all parties, is scarcely less improbable for much the same reason. Another theoretical possibility would be a center-right coalition (excluding Communists and Socialists) but, in the improbable event that such a coalition would be formed, it is difficult to see how it could exist for even a short time without the active support of the Socialists. Still another formula would be government of "technicians" to carry on until after the October elections but any such solution would be rightly viewed as simply transitory caretaker government and would therefore have little or no authority. In the light of the foregoing, hazard that the most probable solution at this juncture will be a coalition based on approximately the same component elements as the Schuman Government, but with new or reshuffled Cabinet faces. Such solution cannot be expected to inspire public confidence. A government composed of the same elements as Schuman's will cause the average Frenchman, who is becoming increasingly tired of "too much politics", to utter the classic remark "the more things change the more it is the same old things".

While I do not wish to appear unduly pessimistic, there is little doubt in my mind that the present crisis, showing as it does so clearly the obvious lack of unity and purpose of the Democratic forces of the center, has in terms of the coming critical period hurt the chances of a centrist political solution in France and has correspondingly strengthened both the Communists and the Gaullists—but at this juncture particularly the latter.

That De Gaulle was keenly aware, even before the vote last night, of the fact that the present crisis was working in his favor is apparent from remarks which he addressed to the RPF National Council yesterday afternoon. He said: "Never in my life have I felt a sense of duty with such intensity; we must take France in charge in order to lead her, but it is necessary that France bring us to power of her own free will." He also deplored "the state which has been dislocated by reason of party politics; the nation feeling that the germs of dissolution are fermenting within itself; a foreign situation immensely grave; an economic, social and financial situation which can be summed up in the one word "disequilibrium"; the "breakdown of the whole struc-

ture; on top of it all a sense of discouragement which would take possession of all France if we were not here. But we are here."

Sent Department 3781, repeated London 677, Berlin 448, Rome 320, Moscow 333.

CAFFERY

851.00/8-348: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, August 3, 1948—6 p. m.

4013. Mytel 3994 of August 2.¹ Important key Ministry Interior official, who is not given to over-confidence, expressed optimism yesterday evening concerning probability of favorable Assembly action re govt's financial and economic program.

He expressed confidence that Marie and Reynaud ² will present program tactfully in Assembly and that this program will make due allowances for plight of French workers, thus mollifying widespread latent hostility to Reynaud in Socialist and MRP as well as trade union circles (mytels 3892 of July 27 and 3935 of July 28).³

He also said that he was struck by the real confidence which French peasantry places in Reynaud. His services also indicate that peasants are "satisfied" with new wheat price of 2,300 francs and that they will deliver their grain. He added that reports to the contrary were being willfully circulated by Communists and Gaullists in an endeavor to discourage deliveries and embarrass govt.

This official, like many others, strongly believes that the success or failure of the Marie govt, representing all French non-extremists, will constitute in fact the "showdown" and that should it fail, sooner or later (and in such a case he believes it would be soon) the Fourth Republic would give way to a new type of govt, presumably an authoritarian Fifth Republic headed by De Gaulle. For this reason he pleaded that "the US do everything it can to help, stressing that not only economic recovery but also the continued existence of a truly democratic form of govt in France depended on the success of the present govt in the next few weeks".

CAFFERY

¹ Not printed.

² On July 27 André Marie had announced formation of a new Cabinet that included Paul Reynaud as Minister of Finance and National Economy.

³ Neither printed.

740.00119 Control (Germany)/S-1748

Memorandum of Conversation, by the Secretary of State

TOP SECRET

WASHINGTON, August 17, 1948.

The Ambassador ¹ called at his request in connection with the report of Generals Clay,² Robertson ³ and Koenig ⁴ on dispositions to be taken by the Allied Forces in Germany in the event of an emergency. His Government had two preliminary requests to make. It understood that the British and US Governments would consider the report in the Combined Chiefs of Staff and if this was correct the French wished to participate in any considerations of it by the Combined Chiefs. The second request was that the three governments, individually and together, consider the report as quickly as possible.

I said that I would check to make sure that no meeting of the Combined Chiefs was contemplated but that it had not met for at least two years and that I doubted that any meetings were contemplated. One reason it has been allowed to lapse was that it complicated our relations with other countries. To admit any other country, as we had been under great pressure to do during the War, would have opened the gates to others and a War could not be run by a sort of international parliament. I also said that after the report had been considered separately by the three national Chiefs of Staffs it might well be considered by the permanent Military Committee in London since it would be impossible properly to plan dispositions east of the Rhine except in connection with plans for dispositions west of it. I said that I would also check on this point and let him know tomorrow. He agreed not to telegraph his Government until I communicated these two answers to him.

He said that he himself had the impression that the Combined Chiefs of Staff were not functioning but that his Government suspected that it was. It would be helpful to remove these suspicions.

He said that although he had not intended to raise the matter, his Government would attach three conditions to its acceptance of a North Atlantic Security arrangement. One was a satisfactory agreement on the report of the Commanders in Chief in Germany. The second would

¹ Henri Bonnet, the French Ambassador.

² Gen. Lucius D. Clay, U.S. Military Governor for Germany and Commander in Chief, European Command.

³ Gen. Sir Brian Hubert Robertson, British Commander-in-Chief and Military Governor in Germany.

⁴ Gen. Marie-Pierre Koenig, French Commander in Chief in Germany.

be immediate US assistance in rearmament of the French forces. The third was assurance that in the event of war in Europe the US would send ground forces to help in the defense of France.

740.00119 Control (Germany)/8-1948

*Memorandum by the Special Assistant to the Secretary of State
(Carter) to the Secretary of State*¹

TOP SECRET

WASHINGTON, August 19, 1948.

The Combined Chiefs of Staff have never been officially disbanded, although by Presidential directive shortly after V-J Day their activities were limited to matters resulting from British-American co-operation during the period of hostilities. The only current operation that they now consider is the joint occupation of Trieste. They have had very few formal meetings during the past two years and are to all intents and purposes completely inoperative at the present time.

The War Department has not received any emergency plans for the Allied occupation forces in Germany. Clay has been authorized to do such planning on a tripartite basis with the French and British. This applies only to operations east of the Rhine. The War Department is querying Clay to determine the status of such planning. They have made no plans as to how the emergency plan will be handled when it is received. They agree that Koenig is in the best possible position to inform the French Government as to its status, just as Clay is for our Government.

As to the scope of the conversations in London, the attached summary is the latest word.² There are no present plans envisaged for the London conversations to include a discussion of the tripartite emergency plans for Germany.³

M[ARSHALL] S. C[ARTER]

¹ Prepared in response to a "Memorandum for General Carter" from the Secretary of State.

² This summary has not been identified, but for information on the scope and progress of the discussions at London, see the memorandum of July 16 by General Gruenther, p. 188, and subsequent documents.

³ This information was conveyed to M. Bonnet on August 20, and in a memorandum of September 7 to Mr. Hickerson, Mr. Achilles recorded that on the basis of further inquiries and messages he had "telephoned the Ambassador that our military did not expect to receive the agreed plan for some weeks, that all they had received was a unilateral American plan and that it was probable that Paris had received either the same plan or a corresponding French one. He seemed satisfied and said that he would probably not need to see the Secretary but would try to soothe his Foreign Office on the basis of what I had told him." (740.00119 Control (Germany)/9-748, top secret)

840.20/8-2548

*Memorandum of Conversation, by the Under Secretary of
State (Lovett)*

TOP SECRET

WASHINGTON, August 25, 1948.

Participants: The Netherlands Ambassador; ¹
The Under Secretary;
T. C. Achilles-WE.

The Ambassador called at his request to express his and Baron Silvercruyts' ² concern at the French position as expressed by Ambassador Bonnet in current exploratory talks on security. ³

I observed that the National Military Establishment, the Secretary and I had all explained *ad nauseam* to the French that the equipment necessary for immediate rearming of French forces did not exist but that it had had no apparent effect on Bonnet and that I suspected he might have misled his Government on the possible availability of such equipment.

He believed that, although Bonnet was pushing his Government's position certainly unwisely and possibly for personal reasons, the real trouble was in Paris and that it would be useful to exert pressure there. I said that both the Canadians and we have asked our Ambassadors in Paris to do some plain speaking to the French. He was gratified but suggested that we might wish to advise our Ambassadors in London, The Hague and Brussels of the situation with a view to getting those three Governments to do likewise. I said this seemed a good idea and that we probably would do so.

¹ Eelco N. van Kleffens.

² Belgian Ambassador.

³ See pp. 1 ff.

851.5043/8-2348 : Telegram

The Secretary of State to the Embassy in France

SECRET

US URGENT

WASHINGTON, August 27, 1948—7 p. m.

3353. Feel it important our agreement with Emb analysis wage-price situation given in urtel 4341 ¹ Aug 23 be made known to both ECA and French Gov. You may in your discretion and after consulting ECA Mission informally give French to understand we would not regard some immediate wage and/or cost of living increases now as

¹ Not printed.

incompatible with long-run aims budgetary stabilization and financial equilibrium. We agree fully only result of failure immediately to offer concessions to non-Communist labor (urtel 4388 Aug 24)² would be to undermine anti-Communist labor organizations and immeasurably strengthen Communist drive in ranks labor and weaken general confidence. On budgetary and financial side such failure would further increase state burdens and weaken French economy after inevitable costly strikes. Govt might hold or at least control a new and more realistic wage-prace line after current adjustment, chiefly on wage side. ECA Administrator Hoffman cabling Harriman to this general effect today.

MARSHALL

² Not printed.

851.002/9-248 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, September 2, 1948—6 p. m.

US URGENT

4566. Léon Blum tells me that the Socialists decided this morning not to participate in the Schuman government because they were unable to get from Schuman last night concrete assurances of what he means to do in regard to wages. "We cannot possibly be in the government if Force Ouvrière goes on strike" said he. "Furthermore a general strike precipitated by the non-Communists as well as the Communists would be catastrophic at this juncture". "At the same time" he added "Force Ouvrière realizes as well as we do that merely increasing wages would not benefit the workmen. They have been confidently waiting for six months for the government to do something about lower prices. Prices instead of being lowered are much higher. What the Force Ouvrière favors is an overall plan calling for sacrifices but sacrifices to be shared in by all."

I told Blum that while I understood what he was telling me, I deprecated that the Socialists had decided not to participate in the government and I ardently hoped they will support Schuman whether they are in the government or out of it. He assured me he also shared my point of view; that not only would he do his best with his own group but he felt confident that they would agree, even out of the government, to back the Schuman government. He remarked that he hoped Schuman would set up a homogeneous MRP government. He concluded: "I am extremely unhappy about this and I feel sure that our refusal to participate has made the MRP most unhappy too."

I have spoken also to Guérin de Beaumont¹ who expects Ministry will be formed late this evening or tonight.

CAFFERY

¹ Chief of Press Services in the French Ministry of Foreign Affairs.

851.002/9-448 : Telegram

The Ambassador in Belgium (Kirk) to the Secretary of State

SECRET

BRUSSELS, September 4, 1948—noon.

1676. Spaak¹ is very disturbed over conditions in France following Schuman's refusal continue form cabinet. He says this affects all Western European matters and throws uncertainty into many fields. Among other matters, he spoke of French proposal for Western European conference² which he says is at present nice "facade" but cannot be taken very seriously at this moment when France cannot even get a government for herself. The Security Council and GA Assembly matters are also jeopardized by lack of a French Government as well as consultations on Brussels Pact in many matters. Social disorders France are possible unless action taken and even dissolution and general elections would take so long that the effect on the General Assembly OEEC and other meetings in Paris could be serious.

Sent Department 1676, repeated Paris 166.

KIRK

¹ Paul-Henri Spaak, Prime Minister and Minister for Foreign Affairs of Belgium.

² For the United States view of this proposal, see telegram 3355 to Paris, August 27, 7 p. m., p. 222.

840.00/9-548 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

SECRET

[LONDON,] September 5, [1948]—3 p. m.

3979. FonOff is concerned not only about immediate situation in France but also and more gravely about long term effect of instability of Fr Govt on Western Union. Prolonged inability to form Fr Govt which Nat Assembly would support causes Brit to query how strong a union can be built with such a weak partner. Obviously as long as Govt crisis or acute threat of one dominates Fr situation little can be accomplished by five power bodies set up under Brussels Treaty. Most recent example is cancellation of Sept 1 meeting of five Defense Ministers.

One FonOff official characterized Fr Soc Party as moribund. Widely held view is that its action in overthrowing last two Govts and its original refusal to join second Schuman Govt has not been in best interests of Soc Party or of France.¹

DOUGLAS

¹ On September 10 the French Socialist Party joined in forming a new government headed by Henri Queuille.

S/S-NSC Files, Lot 63 D 351, NSC 31 Series

*Memorandum by the Joint Chiefs of Staff for the Secretary of Defense
(Forrestal)*

TOP SECRET

WASHINGTON, September 13, 1948.

The U.S. military authorities in Europe have been approached by French military authorities with a request for spare parts and equipment needed for placing in combat condition three French divisions, now in the French zone of occupied Germany. The Commander in Chief, European Command,¹ has referred this matter to the Chief of Staff, U.S. Army,² as a matter of urgency.

The total cost of making the required equipment available to the French will amount to about two and a quarter million dollars. About one-third of the items required can be furnished from excess stocks of the European Command; the remaining two-thirds would have to be furnished from the Zone of the Interior, either from existing stocks or by procurement from industry. The actual expense to the U.S. Armed Forces, involved in implementing the transaction, to include procurement and shipping costs, would be about \$380,000.00.

There is no specific authority of law which would permit the transfer to France of the required quantities of U.S. spare parts and equipment. However, it is believed that, despite this lack of specific authority, the President, acting within his plenary powers as Commander in Chief, would be justified in directing the transfer, if he determines that such action is necessary to meet a grave emergency jeopardizing the safety of the United States Armed Forces in Europe.

In view of the present international situation as regards the U.S. and its allies vis-à-vis the USSR, it is considered that positive remedial action should be taken to place in a condition for combat the three French divisions in the French zone of occupied Germany. Even though the deficient condition of these three French divisions would be corrected eventually by Western Union processes, it is felt that our current relations with the USSR would not justify our failure to correct, within our capabilities, known weaknesses in the French forces. The condition of the French forces in occupied Germany is a matter which affects U.S. national security.

It is believed that action should be initiated at the earliest possible time to correct known deficiencies in the three French divisions in the zone of occupation in order to give these divisions a greater potential for resisting any westward movement of the Soviet Army.

In view of the foregoing, the Joint Chiefs of Staff recommend that

¹ Gen. Lucius D. Clay.

² Gen. Omar N. Bradley.

the National Security Council recommend to the President that he, acting within his plenary powers as Commander in Chief, as head of the State in its relations with foreign countries, and for the purpose of protecting primary security interests of the U.S. and of the U.S. Armed Forces in Europe, direct the transfer of the required spare parts and equipment, to include procurement where necessary, by the U.S. Armed Forces to the French Government.

The Joint Chiefs of Staff request that, if you concur, the above views be transmitted to the National Security Council.³

For the Joint Chiefs of Staff:
 WILLIAM D. LEAHY
Fleet Admiral, U.S. Navy,
Chief of Staff to the
Commander in Chief of the Armed Forces

³ On the basis of recommendations by the Secretary of Defense and the National Security Council (September 13 and 16), the President approved this memorandum (as NSC 31) on September 16.

AID Files, Mutual Security Agency,
 53A278, Box 9 : Telegram

The Chief of the ECA Mission in France (Bruce) to the
Administrator for Economic Cooperation (Hoffman)

SECRET NIACT
 US URGENT

PARIS, September 14, 1948—1 p. m.

Toeca 358. Personal attention Hoffman. Re Toeca 354, 355, and 356.¹ Financial situation France heading for tragic climax unless immediate steps taken to cure present distemper. Prices still rising; uneasiness in rank non-Communist labor has made hold-the-line attitude of leaders nearly untenable in face of threatened strikes. Gold price climbing steadily. Demand for dollar and other hard currencies in black market depriving state of essential exchange. Retention of grain by peasants threatens collections. Unless checked soon, inflation will destroy gains painfully achieved during first six months 1948. Steady deterioration of confidence in currency constitutes menace not alone to French economy but to whole European recovery effort.

Political instability is root of failure to deal constructively with economic situation. Uneasy and almost unnatural party coalition commanding, even when united, a bare majority and dependent upon constitution unsuited to modern emergencies makes governmental authority object of derision and cynicism. Successive Cabinets, having

¹ None printed.

proposed partial solutions to acute financial and wage-price problems, have fallen as result of irresponsibility of parliament representing strongly conflicting party interests or because measures proposed could not even command cabinet majority fierce internal debates. Present and past governments held together by dread of Gaullist replacement or fear spread Communism.

Prime Minister Queuille man of character and determination, skilled in political arts. Program suggested by him, in our opinion, is from fiscal viewpoint most courageous and satisfactory proposed to meet present difficulties. If program carries, state expenditures could be balanced by revenues plus counterpart for calendar year without recourse inflationary financing. Intentions long-range fiscal reforms seem sincere. Queuille insists he recognizes need for drastic export increases. Degree of program's success obviously depends upon solution to wage-price problem and threatening labor unrest.

Under these conditions we recommend immediate assurance be given Queuille that if his program accepted by parliament substantially as outlined our Toeca 354, counterpart be released in successive amounts and with adequate safeguards to be left to our discretion. (Note that we will have no commitment for release unless program has been formally adopted). Otherwise he must at once request legislation to lift present ceiling on advances from Bank of France thereby admitting inability combat inflation and future bankruptcy of Fourth Republic. In these circumstances refusal to release counterpart might well prove boomerang against ERP ultimate goals (Paragraph Four Torep 701).² Realize this is calculated risk but only one possessing possibility averting even graver consequence.

Time schedule of great importance. On Wednesday Queuille will seek cabinet approval new measures. If accepted Commission des Finances will review program Thursday which would then be submitted Assembly Friday. If Government is to succeed must press without relaxation or interval whatever advantages it now has, founded on deep popular desire for strong remedies and settled policy. Once program announced, opposition will rapidly crystallize and speculation will be rampant. If counterpart is to be frozen Queuille must inform nation and demand inflationary financing as part of presentation. This is particularly grave risk if demand is tied to US refusal to accept program as satisfactory.

We realize unsatisfactory nature of demand sudden decision by ECA Washington and summary advice from NAC. However, political events beyond our control have left no choice but to request your determination not later than Wednesday.

² Not printed.

If Queuille cabinet falls we entertain no hope that a successor can better his present proposition and have doubts that if this psychological opportunity is rejected any third force cabinet can operate. In such event impossible to predict degree of political, social and economic chaos which would result.

My specific recommendation is that if program is adopted and appropriate measures initiated eventual agreement with French Government would provide for following points:

1. Release for September should amount to 45 billion francs or, if you consider it preferable, balance of interim aid counterpart of 41 billion may be adequate. Release for October would depend upon total of deposit notifications sent by US and French Treasury collections. Amount may be less than 45 billion requested by French.

2. Release would be paid into special account for separate administration and utilized for specific projects selected within development program keeping in mind both Queuille's statement that development program would be oriented to those projects promising contribution by 1952 to balance of payments problem and policy enunciated paragraph (d) Torep 701.

3. Agreement would provide for mutual review between November 1 and November 15 of French economic and financial situation against background of information requested Torep 701. Review would serve as basis for orderly consideration of subsequent releases of counterpart as integral part of implementation of French four-year program which should be approaching final form at that time.

Above recommendation has been cleared and approved by Harriman and Caffery who join in urging your immediate action.³

Copy for Secretary of Treasury.

BRUCE

³ On September 27 the ECA Mission in France delivered to the Ministry of Foreign Affairs a letter stating the agreement of the United States Government to the financial measures proposed by M. Queuille (telegrams Toeca 375, September 20, and Toeca 393, September 27; AID Files, Mutual Security Agency, 53A278, Box 9).

711.51/9-2048

Policy Statement of the Department of State

SECRET

[WASHINGTON,] September 20, 1948.

FRANCE

A. OBJECTIVES

US objectives with regard to France are that France should participate in and contribute to efforts toward collective security and general economic recovery, and in particular (1) contribute to the security of the US in the struggle to contain the threat of the USSR and world

communism and provide maximum aid for the US political counter offensive; and (2) increase its contribution to the welfare of the Atlantic community of nations. These objectives require that France itself should: (1) be politically, economically, and militarily strong; (2) remain committed to democratic processes of government in the sense understood in the west; (3) orient its foreign policy toward the US and countries in friendly association with the US; (4) contribute its full share to the formation of a more closely integrated western Europe; and (5) bear its full share of responsibility in the United Nations.

The fundamental economic objectives with respect to France and her possession are: (1) to help France achieve rapid economic recovery and to obtain her adherence to the principles and objectives of the Economic Cooperation Act, the Havana Charter (ITO) and other organizations of the Economic and Social Council of the United Nations; and (2) to conclude a long-term comprehensive Treaty of Friendship, Commerce, and Navigation with France, applicable to dependent areas under her administration other than French Morocco and Indochina, which areas should be dealt with separately.

B. POLICY ISSUES

The US regards France as a key country in furthering its over-all objectives for the increased prosperity and economic and political integration of non-Soviet Europe. We hope that developments toward these goals will lead both to domestic stability in the countries of western Europe and to a sense of strength and solidarity which will enable them better to withstand the disruptive efforts of international communism.

With these policies in mind, we wish to give every legitimate encouragement to Europe's efforts to stand on its own feet and to combine the efforts of several countries toward this end, notably through the OEEC and the Western Union begun with the signature of the Brussels Pact. American support of the OEEC's work for European recovery and economic cooperation takes the concrete form of aid through ECA and also the form of diplomatic encouragement to the participating countries to expand their common actions in extent and intensity. The President and the Congress have publicly endorsed the idea of regional security pacts and the Brussels Pact in particular. Privately, the US has let the participating governments know that it hopes membership in the Brussels Treaty will be extended to include other natural members of a western European association as rapidly as practicable and that the cautious initial steps toward military, political and economic cooperation will be followed by more radical

departures from traditional concepts of national sovereignty. Recognizing that political stability in France depends primarily upon the ability of the government to increase the purchasing power of the the people, the US will continue to urge that all parties in the government subordinate their partisan political interests to the extent that realistic solutions to this most fundamental problem may be found.

1. *Political*

We will continue our efforts to ensure the stability of the present non-Communist government in France or a successor of the same general complexion. We believe that a majority of the French people prefer a centrist or middle-of-the-road coalition which will least divide the French people and that therefore such a government, if it pursues its task with courage and resolution, gives the greatest promise for France's economic recovery and political stability.

On the other hand, if such a centrist government fails to find effective means of solving the vital wage-price dilemma, the French people in discouragement and disillusionment with "too much politics" will be tempted to turn to an extremist solution. This gyration would undoubtedly, under existing conditions, be toward the right and, although the progress toward economic recovery made by the middle-of-the-road government in the past year has led many Frenchmen to hope that De Gaulle is not the only alternative to Communism, his return to power is a definite possibility. If the proposed Council of the Republic and cantonal elections this fall go strongly in his favor a band-wagon psychology might easily ensue and De Gaulle might return to power following a dissolution of the Assembly forced by his followers.

Should this occur, the General would demand, and get, a revision of the present constitution giving him greatly enhanced powers. He would, at least for a time, enjoy a large measure of popular support and a docile majority in the Assembly. He would no doubt attempt to include some of the major political figures of the country in his government but would undoubtedly keep in key positions many of his faithful but ill-qualified followers who tend to isolate him from political leaders and political thoughts not concurrent with his views. His stubbornness, disregard for economic, financial and social considerations, mysticism, and strong but hazy ideas of how to govern, coupled with the facts that the final battle with communism would then be joined and that his advent would drive some members of the presently non-communist left into the Communist camp give rise to apprehension in the minds of many Frenchmen as to the ultimate fate of France under his leadership

While it is difficult to forecast accurately the policies which the General would pursue, his past record leads one to believe that he would, as his primary objective, strive to restore French prestige and to promote French leadership on the continent at the same time; continue to fight communism; pursue a more conservative policy than that of the present government in respect to labor and colonial problems; go further than the present government in pressing for guaranties of security against German aggression; continue the present policy of friendship toward the US and participation in the Marshall Plan; and be difficult to deal with.

In view of the foregoing, it is considered important that a middle-of-the-road government continue and that it should be able to rely on the support of the non-communist left and trade union groups. The US can legitimately pursue this aim not only through its foreign aid program but also through personal contacts with leaders of government and opposition groups, through its information program (particularly in efforts to expose the deluding nature of Soviet and Communist propaganda), and through efforts to accommodate the implementation of American policies which affect France so that opposition pressures on the French Government do not make the latter's position untenable vis-à-vis French public opinion. In this connection, and in all matters affecting France, the US is making a constant effort, which it believes must be continued, to understand the basis of, and make adjustments for, the extreme sensitivity of Frenchmen in postwar international relations.

The US, which desires both a strong and sound France and the advancement toward self-government of dependent peoples, believes that France must implement genuine political reforms in the internal administration of many of its overseas possessions and in their relation with the mother country. It believes that past pledges have so often appeared hollow promises to the native populations that France must promptly institute significant reforms if it is not to lose irrevocably the loyalty and goodwill of native leaders, or even sovereignty over its empire. The story of too little and too late will be disastrous if continued, disastrous both for France and for the native populations, who, unready for complete self-government in most cases, may well be driven to violence that, if unsuccessful, will put back the whole movement toward reform and, if successful, will play into the hands of the well-organized Communist minorities which have been backing the native nationalists.

In implementing this policy with regard to North Africa, the US has already approached top French officials, suggesting that prompt reforms coupled with a time-table for future reforms is a first neces-

sity.¹ We now have under consideration a proposal to follow up these representations, in Washington and the North African capitals, as well as in Paris. We do not feel that we should approach Arab leaders until the French have offered them a reform program which can have our endorsement. French Indochina presents an especially acute problem, but one which must be solved along the lines of the general principles laid down above.

We also recognize that there can be no satisfactory future for Europe unless Germany is restored to its normal place in the comity of nations and unless the productive forces of Germany can again play a constructive part in the European economy. At the same time, we recognize that this goal cannot be achieved if the western powers are fundamentally divided in their policies toward Germany, and, in particular, if France is animated more by fearfulness of its own weakness vis-à-vis a revived Germany than by confidence in the strength of a western Europe into which at least western Germany has been integrated.

Since we feel that the security of France is bound up with our struggle against world communism, we expect of the French concrete assistance in furthering our information program so that it may reach the maximum number of Frenchmen and also that it may benefit from facilities which France has the power to put at our disposal for reaching non-French audiences. For example, we are receiving French aid in setting up a relay station at Tangier and expect French cooperation in expanding our information program in French North Africa and Indochina.

2. *Economic*

There is at present no modern and comprehensive treaty of friendship, commerce and navigation between the US and France and her possessions. In the joint United States-French Declaration on commercial policy of May 28, 1946 France agreed to begin negotiations as soon as possible looking toward the conclusion of such a treaty. Preliminary discussions were held with the French in Paris, extending from the end of March to early May 1948, based on a US draft. Tentative agreement was reached on a number of points, but many issues remain to be settled, including: (1) applicability of the treaty to overseas France; (2) whether commercial provisions paralleling the charter should be retained; and (3) provisions bearing on investment and business corporations. The provisional application by France on January 1, 1948 of the General Agreement on Tariffs and Trade was in respect of its metropolitan territory only. The US will press the French to bring

¹ For further documentation on United States policy with regard to French North Africa, see pp. 682 ff.

about application of the General Agreement in overseas areas as soon as possible.

Recent French court decisions have raised a question as to the validity of the French patents which were not worked in France for three years during the period of The Hague revision of the International Convention for the Protection of Industrial Property. It is the view of the United States that such revocations of patents for non-working are in violation of Article 5 of the International Convention as revised at The Hague in 1925 and at London in 1934 and that France should take the necessary steps to carry out its obligations under the Convention.

It is also our policy to endeavor to maintain the American petroleum companies' refining and marketing interests and position in the French market on a non-discriminatory and competitive basis. Recent and continuing problems of American oil companies involve extension to them by the French Government of national and non-discriminatory treatment with respect to compensation for war damages, access to local supplies of materials and equipment, availability of a fair share of foreign exchange in the hands of the French Government to purchase materials and equipment abroad which is not obtainable locally, and access to French petroleum resources. Since the world shortage of refining capacity has caused France to receive more than its share of crude oil, we also feel that the French Government should allow some of its refinery production to be exported.

It is our policy to encourage the creation of a Franco-Italian customs union, which has been recommended by a special Franco-Italian commission and approved early in 1948 by the two governments, provided it is achieved in conformity with the provisions of the Havana Charter. This customs union would be an important step towards a possible larger western European customs union, and could lead to a western European economic union. We should keep constantly informed, however, with respect to private controls, such as the agreements between private industries in the two countries for the regulation of importation and distribution of raw materials, specialization of production, and division of export markets proposed in connection with the contemplated customs union, and with respect to agreements between French and British industry, in order to determine the degree to which these may be detrimental to European recovery.

In the field of telecommunications, it is our policy to work in close cooperation with the French Ministry of Posts and Telegraph in the development and implementation of procedures and policies not only for France but for all of Europe. As France is one of the key countries in European communications, joint efforts are essential to achieve a

well-balanced and coordinated European communications system. In our view any international aviation policy implemented independently by France, the US and UK, and to a lesser extent the other major civil aviation powers, has little or no chance for success unless that policy is based upon a general area of agreement between those powers. We have viewed with growing concern recent developments which may indicate that France is veering away from the general agreement among the three major powers designed to promote the Bermuda concept as the basis for the conduct of air transport relations between states.

C. RELATIONS WITH OTHER STATES

In general the UK may be expected to second our policies with regard to France. Its alliance with France signed in 1947, and the two countries' membership in the OEEC and the Western Union, indicate that Britain also desires the friendship, stability, and prosperity of a westward-oriented France. In general, British policy toward Germany is closer to our own than to France's, so that we can count on British support in bringing France around to our policy. Very close ties exist between the leaders of the British Labor Party and the French Socialist Party, but this relationship cannot be counted on to be decisive with the latter in all matters.

Soviet policy toward France is a major element opposing our objectives. Soviet efforts to divide and weaken western Europe, first of all through disrupting ERP, find one of their principal targets in France. The USSR has the unswerving aid of the powerful French Communist Party, with the largest bloc of seats in the National Assembly, control of the largest trade union federation, a powerful press, and trained para-military units. The edge of this weapon is currently somewhat blunted. The Communists are out of the government, isolated in parliament on most issues, no longer in control of many key municipalities, and unable to provide funds for prolonged major strikes. Nevertheless, the government's parliamentary majority is so slim and so dependent upon both the Socialists, who are torn by dissensions on many current issues, and the votes of the various minor parties, that the Communists still hold a real threat over the government. The wage-price problem is currently the key issue in France, and the real difficulties of the working class give the Communists a powerful leverage over the non-Communist left.

The Franco-Soviet alliance has never been of benefit to France, and the French are now so thoroughly aroused against the disruptive forces let loose by the USSR that the alliance has no detrimental effects on French cooperation with US policy. The Soviet policy of central-

ization in Germany frightens the non-Communist French, who fear a Communist Germany allied to Russia even more than a merely strong nationalist Germany. Nevertheless, this fear has not yet convinced most Frenchmen that the implementation of US policy of opposing Soviet ambitions with regard to Germany is particularly effective.

Pressure from the left in the French Government caused France to close the Franco-Spanish border from March 1946 to March 1948. It also caused the government to permit the Spanish "Government in exile" to reside in France and to oppose admission of Spain to the first Marshall Plan conference in July 1947. Despite continuing Socialist pressure, however, the French Government has recently concluded a commercial agreement with Spain and the present trend is toward continuing improvement of relations between the two countries. In this respect French policy resembles our own, i.e., the rate of resumption of normal relations will depend on the degree of democratic reform which the Franco Government will put into effect. Strategic considerations naturally also affect the desire to return to closer ties.

Relations between France and Italy have tended to become increasingly cordial since the cessation of hostilities, thanks in great part to the efforts of the two foreign ministers. While such gestures of amity as the French consenting to a rectification of the frontier established in the Tenda-Briga area in favor of Italy, allowing the Italians to retain twenty-three of the warships which were to be turned over to France under the terms of the peace treaty, the Trieste declaration, etc., were inspired in part by a determination to help the anti-communist forces in Italy, results have been edifying. The two countries are now studying, although with considerable hesitation on the French side, the possibilities of a customs union.

D. POLICY EVALUATION

No American policy toward France can be successful that does not increase France's self-confidence and give the French confidence in the US. In the present state of international tension, France's best efforts are not forthcoming because of the ever-present cloud of fear that the USSR may launch a military offensive that will overrun France before outside aid can arrive. The US must convince the French that our policies are those best calculated to protect the western democracies against Soviet aggression.

Present US policy has made progress toward restoring French confidence through the ECA, the "Vandenberg Resolution," the President's statement approving the Brussels Pact, and the security clauses in the London agreements on Germany. Nevertheless, our policy has not yet succeeded in wholly calming the nerves of the French who fear

that American "boldness" may result in a war in which Russia would not be defeated until after French civilization had been destroyed under Soviet occupation and communist oppression. In consequence, it will be necessary to keep our policy, especially military, under review with a view to strengthening France both materially and psychologically as much and as quickly as our capacity and sound strategic concepts will permit.

In addition to the restoration of French confidence, our policies must aid in the solution of the government's and the country's economic problems. The US is currently doing everything along this line that can be done by it directly. It has not, however, succeeded in getting France and the other European states to contribute their full measure of self-help, particularly in the matter of the economic integration of Europe. The US must, therefore, constantly seek new ways of guiding France and the other countries of western Europe toward greater economic and political integration.

840.50 Recovery/9-2043

Memorandum by the Assistant Chief of the Division of Western European Affairs (O'Shaughnessy)

SECRET

[WASHINGTON,] September 20, 1948.

MEMORANDUM FOR THE FILES ¹

In Toeca 358, September 14, from Paris, ECA Representative Bruce strongly recommended that ECA franc counterpart funds be made available to the French Government in order to help Prime Minister Queuille avoid having recourse to inflationary financing in connection with his economic and financial program. Ambassadors Harriman and Caffery concurred in Mr. Bruce's recommendation.²

Aside from considerations involving the use of counterpart funds to be decided by the Administrator, the proposal also had political implications i.e. whether it was sound at this juncture to bolster the Queuille government by making these funds available to it.

It is believed that

1) the measure (as proposed) would tide over the present government while it was endeavoring to put into effect certain necessary fi-

¹ Footnote in the handwriting of Wayne G. Jackson, special assistant to the Director of the Office of European Affairs: "Note: The above follows the thoughts of J. D. Hickerson when I discussed the matter with him."

² On September 27 the ECA Mission in France delivered to the Ministry of Foreign Affairs a letter stating the agreement of the United States Government to the financial measures proposed by M. Queuille (telegrams Toeca 375, September 20, and Toeca 393, September 27; AID Files, Mutual Security Agency, 53A278, Box 9).

nancial reforms. (The release of these funds would, of course, be contingent upon certain conditions being met, as stated in Toeca 358) and

2) refusal to accede to the French request probably would lead to the downfall of the government at a time when the Berlin situation is extremely critical and Moscow conversations are still proceeding. Such action would obviously not be in the interest of this government or of the other two concerned.

740.00119 Control (Germany)/9-1548

*The Department of State to the French Embassy*¹

TOP SECRET

AIDE-MÉMOIRE

The *aide-mémoire* left by the French Ambassador on September 15, 1948² has been considered by the Department of State and the National Military Establishment of the United States.

On July 16, 1948, the United States Joint Chiefs of Staff received the recommendations, referred to in the Ambassador's *aide-mémoire*, of the French, British, and United States Commanders in Chief in Germany and on the same day authorized General Clay to participate in the formation of a joint planning staff for the purpose of planning coordinated operations involving initial withdrawal to and defense on the Rhine. It is understood that representatives of the three Commanders in Chief are currently engaged at Wiesbaden in preparation of such plans, completion of which is expected early in October. General Clay was instructed that the designation of Allied Commanders would be deferred until the views of the Brussels Treaty Chiefs of Staff have been considered.

The United States Chiefs of Staff have already transmitted to Major General Kibler, the United States representative in talks with the Brussels Treaty Permanent Military Committee, their preliminary views concerning the Inter-Allied Western Europe Command plan in case of war. Its views are that the command arrangements outlined in the Ambassador's *aide-mémoire* are generally satisfactory except that the Allied Commanders in Chief, Western Europe, should be either British or French and the Deputy Commander an American.

The United States Chiefs of Staff believe that the Brussels Treaty Chiefs of Staff should undertake in time of peace the coordination of planning for the Western European front.

WASHINGTON, September 25, 1948.

¹ A marginal note indicated that the original was given on September 25 by Mr. Theodore C. Achilles, Chief of the Division of Western European Affairs, to Mr. Armand Bérard of the French Embassy.

² Not printed.

851.00/10-248 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, October 2, 1948—4 p. m.

5168. Devinat, Secretary State to Presidency of Council and Queuille's closest confidant, has had a long talk with Tyler¹ whom he knew during war, during which they discussed possibility Communists returning to government (mytel 5128 September 30).²

In reply to inquiry concerning our reaction to such a development, Tyler at my express authorization, told Devinat that this would unquestionably mean cessation US aid to France. Devinat promised inform Queuille and recommend government immediately release unequivocal statement to press against return Communists to government. Although statement has not yet appeared Devinat telephoned last evening to say whole question and our attitude as expressed to Devinat had been thoroughly aired at full Cabinet meeting in presence President Auriol and that we could be sure matter was absolutely settled.

CAFFERY

¹ William R. Tyler, Counselor of Embassy in France.

² Not printed.

851.00B/10-248 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

US URGENT

PARIS, October 2, 1948—4 p. m.

5173. Summary of report September 30 meeting CP Political Bureau, which Interior Ministry showed us yesterday, follows. Full text will be submitted by M. A. . . . High Interior official categorically affirmed his belief authenticity this report.

Begin summary. Duclos reports on conversation he and Fajon¹ had with Vyshinski² September 25, Vyshinski told them that economic domination Western Europe by US through ERP will soon be followed by US military domination and it is clear whole area is now being organized as a military base in preparation aggressive war against Soviet Union. Military Staff Committee of Western Union is completely dominated by Washington and receives its directives from there. Vyshinski asks that the Communist parties this area back to hilt Russia's peace policy according to Cominform directives and exert every effort stop US imperialism.

¹ Jacques Duclos and Etienne Fajon, leaders of the Communist Party of France.

² Andrey Yanuaryevich Vyshinsky, Deputy Minister of Foreign Affairs of the Soviet Union.

Duclos then reports subsequent conversation he had with Bogomolov.³ Latter told him that struggle against ERP must be intensified. Vast propaganda efforts must be made against the American war policy. Soviet Union knows financial difficulties of French Communist Party and will give much more substantial help than has been true recently. However, USSR considers it absolutely necessary that Communists reenter French Government.

Continued social agitation and ensuing vertical economic collapse will very soon show need for Communist participation in French Government. Duclos then told Bogomolov he would need 16,000,000 francs a day for the coal strike, and Bogomolov replied that he would make every effort to get this sum on the condition that Duclos could guarantee that fighting spirit of miners would be maintained. He added he had no tactical advice to give on ways and means but result he expected was reentry of French Communists into government.

General discussion followed Duclos' report his conversations with two Russians. Prospects for mine strike were considered good and it was hoped Russians would provide money they had promised although there was money enough for a while. 16,000,000 francs daily would be needed for first three days, after which a gradually increasing sum would be required since it would be necessary take care of everybody thrown out of work regardless of union affiliations. At the end of three weeks 30,000,000 francs daily would be needed. Hope was expressed that the strikes would spread to metallurgy and to transport although it looked doubtful that a transport stoppage could be complete because of the railway workers. It was decided support dockers to halt on same basis as miners. Waldeck-Rochet appointed organize food supplies through CP rural centers.

Meeting then drafted statement for publication.

End Summary.

Sent Department 5173; repeated Moscow 506.

CAFFERY

³ Alexander Yefromovich Bogomolov, Ambassador of the Soviet Union in France.

851.5045/10-548: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, October 5, 1948—7 p. m.

[Received October 10—10:12 p. m.]

5220. While prospects for the success or failure of the coal strike cannot yet be accurately assessed, it has been timed to take place not only at a moment of grave international tension but also, insofar as France is concerned, at the lowest point in national morale in the last

two years. The dream of the third force, around which the great body of the middle-of-road Frenchmen could group themselves and find escape from foreign dictatorship of the Communists and the feared dictatorship of General De Gaulle, has disappeared in the series of meaningless and wasteful parliamentary crises since July, and with it confidence in the parliamentary system, if not in democratic processes themselves.

The tense international situation in which many Frenchmen see themselves as helpless pawns in an impending conflict between the Russian and American juggernauts contributes to the prevailing lack of confidence and encourages a fatalistic nothingness in non-Communist and non-Gaullist elements. Such little cohesiveness as existed between the non-Communist groups is now fast disappearing, and the elements of disintegration are gaining ground in the whole middle sector of French life. As a class, only the peasants feel that they are well off, but their suspicion of the future is such that they withhold much of their produce against rising prices or invest their profits in gold.

That this situation should occur at the moment of greatest prosperity and highest production indicates [*indexes?*] that France has known since the liberation is not only ironic in itself but, because this recovery has been made possible in great part by ERP, it is most disturbing to Americans.

One of the basic causes of the present situation, apart from the purely economic or political causes, which are known to the Department through the Embassy reports, is that the traditional social problem of France is as far from the solution as ever. Industrial and white-collar workers, whatever their political affiliation, are united in the conviction that they are not receiving their fair share of French economic recovery made possible by ERP. While the success or failure of the coal strike will show whether or not there is broad basis for large-scale industrial strife in the immediate future, there is real evidence that the trend which resulted in the split between Communist and non-Communist labor unions (the capital event of post-war France) has come to a stop and may be reversed and replaced by a trend toward unity, in which the superior organization of the Communists would prevail.

The middle classes, particularly those whose incomes are derived from industry and commerce and the liberal professions, after having recovered from their fear of complete socialization immediately after the liberation, took advantage of their heavy representation in the coalition governments which followed the retreat of the Communist Party into the opposition to regain their prewar position in the distribution of the national income. These elements now fear that position is threatened by the Queuille tax program and the projected fiscal

reform and may be expected to exert every ounce of influence to prevent their realization. The respite [from] attacks on its life which the parliamentary recess gave the Queuille Government will last only 6 weeks more, during which it must perform the Herculean task of controlling inflation and bringing about some measure of economic stabilization before it meets a Parliament which has been rubbing shoulders with discontented and dissatisfied constituents. Even before the coal strike was announced, it was far from certain that before Parliament reconvened the recent wage increases would not already have been compensated by price rises neutralizing any gain in real wages for the workers.

At this disconcerting juncture in French life, the only dynamic rallying point offered non-Communists is General De Gaulle and his RPF, but the harsh and uncompromising tones of the General's recent press conference again making clear he will return only on his own terms contributed no harmonious note to the prevailing discord. His lack of a concrete program is disturbing enough in itself because of his disparate and uncertain entourage and his lack of real understanding of the relative importance to be accorded the different elements in a modern industrial state. This lack is most evident and most disturbing in his policy toward labor. At this time of social conflict he not only promises the French workmen longer hours but confirms their fears that his return will cost them their freedom to organize. This blind spot in General De Gaulle is, of course, being actively exploited by the Communists, who see in it an opportunity to recapture the non-Communist elements whom they lost a year ago. It is providing a strong impetus toward the trend to labor unity which has been noted above.

It is for this reason that many observers here believe that the Communists wish General De Gaulle to come to power, in the belief that his return would reunite the proletariat under Communist leadership even at the cost of a civil war which the proletariat might lose. Such civil strife would in any case serve to achieve the Communists principal short term target, the disruption of ERP and Western Union.

Repeated London 1027.

CAFFERY

851.24/10-1048

Memorandum by the Deputy Chief of Staff for Plans and Combat Operations, U.S. Army (Wedemeyer) for the Secretary of State

TOP SECRET

[WASHINGTON,] 10 October 1948.

1. The Department of the Army was informed by General Clay on July 30, 1948 that he had received from General Koenig a list of spare

parts and equipment required to place three French divisions in the occupied zone of Germany in combat condition. General Clay estimated that without this equipment these divisions were less than fifty percent combat worthy. Of the items required, about one-third could be furnished from excess stocks of the European Command; the remaining two-thirds would have to be furnished from the United States, either from existing stocks or by procurement from industry. It was estimated that the total cost of providing the required spare parts and equipment would be approximately two and a quarter million dollars. Of this total, the direct cost of implementing the transaction, including necessary procurement, handling and transportation costs would amount to three hundred and eighty thousand dollars of which two hundred and twenty five thousand dollars would be required for procurement.

2. On September 13, 1948 the Secretary of Defense and the Joint Chiefs of Staff approved the recommendations of the Chief of Staff, U.S. Army¹ and on September 16, 1948 the National Security Council recommended to the President that he, acting within his plenary powers as Commander in Chief, as head of the State in its relations with foreign countries, and for the purpose of protecting primary security interests of the U.S. and of the U.S. Armed Forces in Europe, direct the transfer of the required spare parts and equipment, to include procurement where necessary, by the U.S. Armed Forces to the French Government. On the same date, September 16, 1948, the President approved the recommendations of the National Security Council and directed that these recommendations be implemented by all appropriate Executive Departments and Agencies of the U.S. Government under the coordination of the Secretary of State. On September 17, 1948 the Department of the Army directed that this program be implemented by all appropriate agencies of the Army. The Department of State authorized the U.S. Ambassador to France, on September 20, 1948, to inform the Foreign Minister of the assistance being provided to the French Army of Occupation by the U.S. Armed Forces.

3. As a result of the directive issued by the Department of the Army on September 17, 1948, the European Command on October 4, 1948 shipped its portion of this equipment to the French Army at Rastatt, Germany. The equipment to be furnished from the United States, except that which must be procured from industry, is expected to arrive at Bremerhaven, Germany in two shipments, November 1, 1948 and November 15, 1948, where it will be shipped directly to the French Army at Rastatt. The items of equipment to be procured from indus-

¹ Gen. Omar N. Bradley.

try, about one-ninth of the total, will be furnished over a period of three to six months.²

4. At the request of General Lutes,³ a copy of this memorandum has been furnished to the Secretary of Defense.

A. C. WEDEMAYER
Lieutenant General, GSC

² On January 25, 1950, James E. Webb, Under Secretary of State, notified the National Security Council as follows: "The action contemplated by NSC 31 has been completed and periodic progress reports are therefore being discontinued."

³ Lt. Gen. LeRoy Lutes, Director of Staff of the Munitions Board, National Military Establishment.

840.50 Recovery/10-1248

*The Director of the Office of European Affairs (Hickerson) to the
Coordinator of Foreign Aid and Assistance (Labouisse)*

SECRET

[WASHINGTON,] October 12, 1948.

The following is submitted as of possible assistance in talking with ECA.

France is unquestionably in the throes of galloping inflation, with little prospect that the present coalition government can either agree upon or get acceptance of the drastic measures necessary to stop it. This situation is unquestionably increasing the chances of De Gaulle coming back to power.

Until the current series of crises began last July the Third Force had been making really good progress toward putting France's house in order. Industrial production, particularly steel production, had been increasing at a rapid rate. The clarity with which the Communists had revealed their hand, both in their opposition to ERP and the political strikes of 1947, had resulted in a large proportion of non-Communist labor breaking with the Communist controlled CGT. The franc had been partially revalued on a temporary basis. To these favorable factors has been added an excellent harvest.

The unfavorable factors are political and psychological. The new Constitution, thanks to Communist efforts in its drafting, makes it very difficult to have any stable government in France. The French are temperamentally selfish, individualistic and reluctant to cooperate with anyone, French or otherwise. French democracy, at least since 1870, has been handicapped by the multitude of splinter parties and instability within the larger parties. Since the First World War the French have been devitalized, since the Second World War they have been demoralized and exhausted, and for the last year they have been in a state of acute jitters.

The primary need in France is the restoration of confidence—confidence in their government, in their security and in the franc. We are in the process of helping them, through ECA and security arrangements, toward restoration of confidence in their money and security. There is little anyone outside France can do toward obtaining a French Government in which anyone can have confidence.

It is very doubtful whether De Gaulle is the answer. His previous administration was not notably successful. De Gaulle devotes much energy to promoting the mystical (and illusory) idea of France as a great power and brags that he has no real program. He talks about economics as a woman talks about carburetors. His advisers are ill-assorted, incompetent, self-seeking and unstable.

The best argument against our attempting to assist or expedite de Gaulle's return to power is furnished by increasing evidence that the Communists are seeking to do exactly that, in the belief that de Gaulle will not be able to solve France's economic problems and that the resultant collapse will bring them into power.

Moreover, the non-Gaullist, non-Communist majority of the French people would look upon our open support of the General as a totally unwarranted interference in French internal affairs and would not hesitate to hold us responsible, not only for his possible final failure, but for every false move which he might make. (His past record leads one to believe that there will be many).

We will also be put in a position of having brought to power an individual whose ideas on many of the important issues of world policy differ radically from ours. (The German question, colonial policy, European defense, etc., are examples).

All this adds up to the unpleasant fact that there is no apparent alternative to our continuing for the present our policy of assisting the French Government even though it seems to be losing rather than gaining ground insofar as ECA objectives are concerned. We must recognize that Congress is going to be most reluctant to authorize aid to France on the present scale unless the situation in France has materially improved by next March or April. We must be careful in warning the French of a possible reduction or cessation of ERP for France lest, in their present state of jitters, they merely throw up their hands and give up. At the same time we can and should warn them that, while the form and composition of the French Government is a matter concerning which we can offer no advice whatsoever, they have darn well got to produce something workable, relatively stable and strong enough to deal effectively with French economic problems by next March or April or American aid will in all probability be reduced.

851.5045/10-1348: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, October 13, 1948—7 p. m.

5344. Queuille tells me that for the first time he feels today the strike situation has taken a turn for the better. He is much encouraged by the failure of the Communists with the railways. His agents report that there is extreme apathy among the miners and he hopes that they will be back at work next week. He feels however that the Communists will make a desperate effort to prevent a government success with the miners because if the government wins, their own prestige will take a dive. They have declared to the whole world that with these strikes they are on their way to taking over the government and to destroying the Marshall Plan, and if their own "clients" go back on them and go back to work there will be repercussions all over France.

He added: "My troubles are by no means over, but I repeat, today is the first day I can honestly say that I believe we are going to win".

CAFFERY

PPS Files, Lot 64 D 563, Assistance to Foreign Countries ¹*Memorandum by the Coordinator of Foreign Aid and Assistance (Labouisse) and the Assistant Chief of the Division of Commercial Policy (Moore)*

SECRET

[WASHINGTON,] October 16, 1948.

THE FRENCH CRISIS

It is becoming increasingly clear that the major current problem of European recovery is the situation in France. France is today receiving economic assistance not only from the United States, but from England and other participating countries as well, far in excess of an amount which could be justified upon basic economic considerations. The trend of improvement which was taking place last spring has been reversed and there are no indications that the present government has sufficient political strength and support to make effective the measures which it agrees are necessary.

The unhealthiness of the French situation has undesirable economic and psychological repercussions on the other participating countries to such a degree that the success of the European recovery program as a whole is jeopardized unless a solution of the French situation can be found.

¹ Master file documents, drafts, records of meetings, memoranda and related correspondence of the Policy Planning Staff for the years 1947-1953.

It is important from the viewpoint of the US interest in European economic recovery that the basis of US aid to France be reviewed in an effort to determine a course which might ameliorate the deteriorating situation.

On the one hand, the Congress did not intend and cannot be expected in the future to approve the allocation of funds in excess of those which would be required if a Government were to live up to its commitments under its bilateral agreement. However, the Cominform is undoubtedly centering its efforts to disrupt ERP in France. A reduction of ECA assistance to France below the present rate might well result in more effective Communist propaganda and attacks on ERP. There is also a risk that a reduction in aid, coupled with disruptive tactics by the Communists and the failure by the Government to take the measures necessary to make the available aid effective, will accelerate a deterioration in the French situation.

It is believed that the following among other specific questions must be considered in evaluating the risks and determining a course of action:

a. If the Queuille Government is not in a position to achieve the necessary economic reforms, would the US look with favor upon a de Gaullist Government?

b. If it could be foreseen that a de Gaullist Government would come in, should the United States undertake any discussions in advance with de Gaulle or his advisors?

c. Should the United States continue to make available indefinitely the increased assistance which a continuance of unstable political conditions in France would make necessary?

d. If not, should the United States inform the appropriate people in France that it will not be able to do so, and if so, when should that information be given them?

We should not, under any circumstances, take any action which could be interpreted as bringing pressure on France in favor of de Gaulle or any other individual or party. France must work out its internal political situation itself. We would be assuming great political and propaganda liabilities if it could be argued that we had interfered in France's domestic political situation. Furthermore, it is doubtful if de Gaulle would in fact be able to bring about an improvement in the French situation.

Assistance given without requiring enforcement of reasonable conditions or given in unjustified amounts produces neither the political nor the economic results which the assistance is designed to achieve and might in the long run endanger the entire program. In spite of the risk that Communist tactics might accelerate economic deterioration, we should carry out the terms and spirit of the Foreign Assist-

ance Act and limit assistance to France to that which she would require if she reasonably complied with the terms of the bilateral agreement. This position might imply some reduction in the assistance contemplated for France in the annual program approved by the OEEC.

All appropriate political leaders in France should be informed prior to November 1 that we must comply with the provisions of the Act. This should be accomplished by having representatives of the State Department and of ECA inform the leaders of the non-Communist French political parties along the following lines:

The purpose of the Foreign Assistance Act is to bring about economic recovery in OEEC countries as rapidly as possible with a minimum drain on the US Government. In the opinion of the US Government, unstable political and financial conditions in France are causing a greater drain on the US than the basic economic situation would otherwise warrant. Measures to remedy these conditions are believed to rest entirely in the hands of the French people and we have neither the right nor the intention to interfere in such domestic matters. Nonetheless, because of the limitations on the amount of available US aid and because of the requirements of the basic legislation and the bilateral agreements, we consider it necessary to inform all non-Communist party leaders that financial assistance to France from the US will be governed by the extent the French government is able to control the situation. Pending further developments in the situation in France, ECA is considering withholding approval of the full amount of aid envisaged in the annual program submitted through OEEC.

The method and timing of any approach to the French should be discussed with Messrs. Caffery and Harriman in advance and cleared with Secretary Marshall.

Any policy formulated with respect to France should also be applicable, with appropriate modifications to meet individual cases, to other OEEC countries whose situations are aggravated by factors similar to those prevailing in France.

840.50 Recovery/10-2748

*The Coordinator of Foreign Aid and Assistance (Labouisse) to the
Acting Assistant Secretary of State for Economic Affairs (Nitze)*

SECRET

PARIS, October 27, 1948.

DEAR PAUL: This is a preliminary and brief report as to developments on the "French Crisis" paper:

Harriman, Caffery and Bruce all take strong stands that it would be most unfortunate at this time to take the action suggested in the paper. So far as I have been able to judge to date, none of them really disputes the general philosophy underlying the paper, nor do they

appear to dispute the fact that some measures will have to be taken by us in the not too distant future if the situation here does not improve. They are as one, however, in saying that the present is not the appropriate time.

Harriman, Hoffman and I had a short talk with Secretary Marshall on this point last Friday,¹ and the Secretary agreed with Harriman's view that we should *not* at this time lay it on the line with the French party leaders as suggested in the paper. It was the general consensus of this meeting that Harriman should have a talk with the British (of course bringing in Lew Douglas) and should generally feel out the situation during the course of the next few weeks.

As Dick Bissell² will doubtless tell you, he was most upset when he learned of the meeting with Secretary Marshall. . . .

In order to insure against a possibly garbled version of what happened at the meeting with the Secretary and of the events leading up to it, I believe you should have the following information:

On Thursday afternoon, October 21, Bissell and I saw Harriman, and Bissell outlined the French problem which the joint State-ECA Committee had discussed. Dick presented the case very well. Harriman's comments did not seem to me to take any real issue with anything Dick had said, except for the fact that he did not think the proposed action should be taken at this time. He went on to comment, however, that he strongly felt the British should be consulted in any event and that it would be undesirable from the point of view of OEEC to cut down the French allocation appreciably. I believe that this is a fair summary of Harriman's position as then stated. (After the meeting I said to Dick that I thought Harriman's presentation was a reasonable one, and Dick agreed.)

At the meeting, I told both Harriman and Bissell that I had arranged a meeting for the following morning at 10:30 with Secretary Marshall, at which time I was to brief him preparatory to a possible later meeting with Harriman, Caffery and possibly others.

The next morning, Friday, I was called at 9 o'clock by one of the Secretary's aides, saying that the Secretary wanted to see me right away. I went immediately to see him at the Embassy residence, arriving there shortly before 9:30, and found Hoffman and Harriman closeted with him. I do not know, but I assume that Harriman arranged the meeting. When I arrived the Secretary was telling them about his trip to Greece and his recent talks with Sforza. Shortly after my arrival, Harriman raised the question of the French paper, and I then proceeded to tell the Secretary about the Joint State-ECA Com-

¹ October 22.

² Richard M. Bissell, Jr., Director of Program, Economic Cooperation Administration.

mittee and its consideration of and views on this particular matter. Harriman then expressed views along the same line he had to me and Bissell the previous afternoon and, although Hoffman may not have made a definite statement that he agreed, I was definitely under the impression that he was fully in accord with Harriman. The Secretary agreed with the Harriman approach.

The meeting then broke up because Hoffman and the Secretary had to leave for other engagements.

I regret that I did not have an opportunity to talk to the Secretary before the meeting with Hoffman and Harriman; also that at the meeting with him there was not as full a discussion as I should have liked. Although I am convinced that the Secretary would concur in the opinions of Caffery, Harriman and Bruce that we should take no action at this time, I would be happier if the whole matter could be discussed with him at greater length to make sure that there is a complete meeting of minds. Accordingly, I hope to be able to arrange another meeting with the Secretary before I leave.

I expect to bring back with me a memorandum responsive to our "French Crisis" paper. This memorandum is under preparation in the Embassy and, I understand, will express the general feelings of Caffery, Harriman and Bruce.

The main point I should like to get over, pending my return, is that no action should be taken by Washington cutting down the French allocation without prior clearance with Paris.

I have written to no one else on this matter, so please make this available to George, Jack and Ben.³

With best wishes,
Sincerely yours,

HARRY

³ An attached routing slip indicated that the letter was made available to George F. Kennan, John D. Hickerson, Ben T. Moore, and Theodore C. Achilles.

851.5045/10-2748: Telegram

The Acting Secretary of State to the Embassy in France

CONFIDENTIAL

WASHINGTON, October 27, 1948—7 p. m.

US URGENT NIACT

4186. John L. Lewis¹ this morning issued blistering attack on French Govt, ECA and US Govt demanding Green² as former miner and backer of Truman ask Pres "use some of vast power in his hands

¹ President, United Mine Workers.

² President, American Federation of Labor.

in control of Marshall funds to require French Govt to cease making war on own citizens who are coal miners at expense of American taxpayer." New AFL international rep Geo Delaney and International affairs committee headed Woll understand situation fully but Green in Minneapolis suddenly issued off-cuff statement saying "if it can be determined US funds are being used by French officials for strike breaking purposes he will appeal personally Pres Truman cut off all recovery aid France."

Urgent cables from CFTC and FO to Green, Lewis and Murray³ deploring Lewis and Green statements, outlining French anti-Communist position and pointing up Cominform role would be helpful. Such statement to Green particularly warranted since he said AFL would look into facts. Emb should quote their messages immediately to Dept.⁴

LOVETT

³ President, Congress of Industrial Organizations.

⁴ Final paragraph reads as corrected by telegram 4193, October 28, 5 p. m.

851.5045/10-2848 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

PARIS, October 28, 1948—2 p. m.

URGENT NIACT

5590. For Lovett personal eyes only from Marshall. Reference to the declaration of John L. Lewis to William Green, President of the AFL, concerning the strike situation in France.

1. Prior to the inauguration of the present coal strike he [*we?*] here in Paris received trustworthy information to the effect that Moscow intended to launch strategic political strikes with the aim of undermining the French Government and sabotaging the French national economy as well as the ERP program. The Communists chose the coal mines as the most strategic branch of the national economy and as the strike unfolded, it became clear that it was not being carried out primarily in the aim of satisfying legitimate demands of the miners but rather to paralyze French recovery and discourage the American people and Congress from continuing ERP aid. Resort by the strike leaders was made to actions unprecedented in French labor history, namely, the abandonment of maintenance in its [*pits?*] threatening long-term damage to the mines and in some instances actually flooding the mines.

2. The foregoing analysis of the situation is shared not only by all the political parties forming the present Radical Socialists but also by

the entire non-Communist labor movement, namely CGT-FO (the principal anti-Communist labor movement), the CFTC (Catholic Workers) and the smaller but nevertheless independent and autonomous unions. Even the Directing Committee of the Socialist Party has unanimously condemned the strike as a Comintern maneuver to inflict injury upon French national economy and render ineffective American aid to France and Léon Blum has made it clear in emphatic terms that he regards the strike as foreign-inspired and Communist-led and that a referendum would result in the return to work of the majority of miners. He has also written that while miners' wages are not satisfactory, they are not "starvation wages" and miners have higher "real wages" than other classes of French workers. With a unanimity rare in France all non-Communist public opinion shares these views and approves the action of the government.

3. The government has made it clear from the outset and is fully supported by the facts, that the police measures which it has undertaken are not to break the strike but are directed solely to preserving the nationalized mines from the deterioration which is the inevitable consequence of this unprecedented action of the Communist labor leaders in withdrawing the maintenance crews.

Please bring foregoing to attention of President for his background.

Caffery is now endeavoring to get a message from Blum¹ and the non-Communist labor leaders referred to in your 4186. Results will be reported in subsequent message.

For reasons that you will understand that relate to my situation here in France, any quotation from my statement to you would be inadvisable and is to be avoided if practicable.

[MARSHALL]

¹In telegram 5593, October 28, 4 p. m., Caffery reported that Blum had "expressed stupefaction over failure of Lewis to understand essential nature of strikes" and had sent him a cable stating that the strike was not caused by "legitimate labor grievances" but was "instigated by the Communist leadership of the CGT for purely political reasons" and was being carried out "against the will of the majority of workers whom they refuse to consult". Blum also asked Lewis to read the article that he had published in that morning's *Le Populaire*. (851.5045/10-2848)

851.20/11-548

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[PARIS.] November 5, 1948.

I decided to make^a a personal call on Weygand¹ because of past acquaintance in 1918, and particularly 1919, and because of his dis-

¹Gen. Maxime Weygand.

tinguished position in French and military minds. He seemed deeply and emotionally appreciative. The conversation never touched on the conduct of affairs by him in the final fighting or by him in connection with African matters.²

He questioned me as to the American procedure in the raising of an army, particularly as to training methods, as to maneuver procedure, as to development of commanders, and as to the increasing of a singleness of purpose and spirit in the minds of the soldiers. I explained at considerable length the course of our operations, the intensive character and training, particularly as to replacements, the vast maneuvers, particularly as to the training of higher commanders, and of the operational and logistical staffs. I also explained our utilization of the movies as training aids, as a matter of fact as the principal contribution to training and technique, and as to the education of the soldier as to why he was fighting.

Weygand asked me to get for him the procedure followed in our development of divisions, which I had explained at length. I told him that I would get General Clark,³ who is largely responsible for the planning, to find the necessary papers.

In reference to all of this Weygand said their great error was a failure to conduct training, particularly psychological, during the period of the "phony" war, he using that term. He also made the point that this present situation required American methods more than those to which the French were accustomed.

He made a very emotional statement concerning the necessity of preparing a resistance along the line of the Rhine and of the tremendous importance of our assistance. I explained in confidence roughly what we hoped to do in the way of military re-equipment. I told him what we had done with three French divisions in Germany and, most confidentially, what we hoped to do for the two half-equipped divisions in France and four groups that lacked almost all equipment but were called divisions. He was exceedingly grateful for this information and assured me it would not go beyond him.

I took the occasion to beg of him to use all his influence to see that the French confined themselves in their effort at least for five years to the great deficiency in military strength, which was in ground forces. He asked me if I meant armored troops and airborne troops, and I said that armored troops, of course, were included and airborne

² For documentation relating to General Weygand's activities as Commander-in-Chief of French Forces and as Minister of National Defense in 1940 and also as Delegate General of the Government in French Africa, 1940-1941, see the appropriate annual volumes of *Foreign Relations*, plus *The Conferences at Washington, 1941-1942*, and *Casablanca, 1943*.

³ Gen. Mark W. Clark, Commanding General, 6th U.S. Army, who in 1942 had been Chief of Staff, Army Ground Forces.

could very easily be included as that was a minor matter of training, but that the French, the Belgians and the Dutch must provide the ground forces, and that because we had the air and naval forces in sufficient superiority, no money or effort should be wasted by the French, for at least five years as I said, in raising air forces or considering naval forces. He said what about liaison planes, for example. I told him that those were incidentals that could be easily handled, what I was talking about was a French air force of some proportions and I was referring to the French effort to develop an air carrier. I insisted that questions of national prestige should not become involved because they could not possibly realize these developments financially or from a time point of view to meet the crisis, and any such effort would diminish what must be done to prepare adequate ground forces.

Weygand insisted that he had no longer any voice in such matters, and I remarked that I knew full well that he was undoubtedly consulted by many, and the fact that General Béthouart ⁴ was then waiting to see him was rather proof to the contrary. A letter from Weygand the following day requesting me to see General de Lattre de Tassigny ⁵ was further evidence of the fact that the leaders were all talking to Weygand.

He seemed genuinely and emotionally touched by my call though in a very dignified and restrained manner.

G[EORGE] C. M[ARSHALL]

⁴ Gen. Marie Emile Antoine Béthouart, French High Commissioner for Austria.

⁵ Inspector-General of the Combined French Forces.

851.24/11-548

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[PARIS,] November 5, 1948.

General Béthouart called on me to resume the discussion we had had on his previous visit. He was particularly concerned in the matter of American military equipment for France, and I told him what the prospects appeared to be and which lacked Congressional confirmation.

He then made a reference, as I understood him, to the question of the Germans in any military resistance to the Soviets and seemed to imply a consideration of whether or not we should have some plans for the arming of Western Germans in case of a Soviet breach of the peace. I listened to this and made no comment whatever, but I was much surprised at such a point being raised by Béthouart.

Because of the dangerous political repercussions which would follow from any divulging of this particular memorandum, I wish to have it regarded as top secret.

G[EORGE] C. M[ARSHALL]

851.00/11-1848

Memorandum of Conversation, by the Secretary of State

TOP SECRET

[PARIS,] November 18, 1948.

Participants: Mr. Henry Queuille, Prime Minister of France
Secretary Marshall
Ambassador Caffery
Mr. Ridgway B. Knight, United States Delegation¹

SUMMARY

A. MR. QUEUILLE

(1) Mr. Queuille expressed belief that the back of the present strike movement was broken, even though such difficulties as current long-shoremen's strike yet must be overcome.

(2) French Government has started and is continuing to purge Communists guilty of strike sabotage or of inciting sabotage from positions of responsibility which they may hold in nationalized industries.

(3) Recent strike movement constitutes significant defeat for Communist CGT whose orders and directives are being increasingly disregarded not only by French workers but also by CGT membership.

(4) Notwithstanding predictions that de Gaulle would control new Council of Republic, recent information makes Government majority very likely in new Council.

(5) More worried about Government majority in National Assembly. Large majority on clearly drawn Communist issues but much slimmer and more brittle majority when Government has to tackle run-of-the-mill business.

(6) Queuille realizes his responsibility to rehabilitate France's economy and will introduce in first days of December bills reforming fiscal system and balancing the budget. Measures will be taken so that these bills will be voted by January 1, 1949.

(7) One of Queuille's greatest difficulties is France's military budget, as to establish these credits intelligently it is necessary to know definite responsibilities of French Army in case of war. He strongly favored over-all planning for defense of West and asked for Franco-American staff talks as well as conversations with U.S. Government on subject.

B. SECRETARY MARSHALL

(1) I explained technical difficulties pertaining to budgetary authorizations contrasted to budgetary appropriations.

(2) I stressed importance of fulfillment of Queuille's program to

¹ Mr. Knight, Second Secretary of Embassy and Consul at Paris, was also a member of the United States Delegation to the General Assembly of the United Nations, meeting at Paris.

help me before Congress when asking for ECA appropriations for last quarter this fiscal year and next year.

(3) I pointed out striking similarity between basic American war strategy and current one in which Western Europe was given priority. Notwithstanding success of war-time precedent, I am still faced with similar opposition advocating more substantial help for Far East, especially China.

(4) Referring to France's military problem, I urged that French concentrate on development of ground forces, pointing out prohibitive costs of modern-day Air Forces and Navies. Furthermore, U.S. and U.K. provide strong sea and air arms, while American ground forces sorely limited and would need time to be built up in case of war.

(5) I explained effort now being made to put into condition military equipment from the last war, gravely damaged by weather, due to lack of funds for adequate care and storage. Some funds, however, have been obtained, which have permitted larger shipments to Greece and China as well as equipment of three French divisions in Germany. Now there remains problem of equipping French forces in France.

C. MR. QUEUILLE

Mr. Queuille declared that he agreed with my reasoning and that he would do his best so that as much as possible of France's military appropriations for 1949 (about 300 billion francs) will be devoted to development of French ground forces.

DETAILS

Prime Minister Queuille prefaced his summary of the present French situation by a brief outline of the history of Communist influence since the Liberation. He recalled that immediately thereafter Communist control of France was nearly complete. They had taken over local governments in a majority of localities either by fair means or foul. Thanks to this dominating position at the grass roots they had been able to influence elections. Mr. Queuille pointed out that the Provisional Assembly and the Constituent Assemblies had been for a long while completely under the Communist spell. Numerous in these bodies but without a majority they had controlled them as the other parties dared not oppose them. He pointed out that it had been the great achievement of Prime Minister Ramadier, now Minister of National Defense in his Government, to have broken openly with the Communists and expelled them from the Government in May, 1947. Since that time France has been governed by a series of coalition governments, all excluding the Communists, of which his own was the last in this series.

Mr. Queuille explained that of course it was obvious that it was to the Communists' direct advantage to prevent France's economic rehabilitation and therefore oppose the Marshall Plan. He pointed out that while this opposition at the start of the recent strike wave had still been equivocal with Thorez, Secretary General of the Communist Party, still declaring that the Communists were not fundamentally opposed to American aid, this pretense had soon been abandoned after the strikes developed. According to Mr. Queuille this was the first unquestionably political major strike wave in French history. It was also the first time that any French trade unions had gone to the extreme of ordering that the various security services and devices of the mines be abandoned.

The Prime Minister told me that of course this open challenge had to be accepted by the French Government, and that he was consequently encouraged by the fact that it had been possible for governmental forces to occupy all France's coal mining districts with a minimum of blood shed. He pointed out that this was of the greatest importance as worker casualties automatically tend to solidify the workers' unity and class consciousness.

Mr. Queuille also said that there were reasons for satisfaction in that notwithstanding all the pressure and efforts of the Communist CGT, its strike orders had been not only disregarded by a significant percentage of French miners, but also by a worth while percentage of the CGT's membership itself. He recognized that the French Government's troubles were not over and that now it would have to face such problems as the longshoremen's strike which the CGT is now exerting itself to render effective. He expressed the belief, however, that the back of the strike movement had been broken.

The Prime Minister declared that the French Government was resolved now to purge subversive Communist elements from any positions of responsibility which they might still enjoy. Thus he pointed out that the two Communist members of the SNCF (The French Nationalized railroads) had been fired as well as all members of the various boards of the several nationalized industries who had either been guilty of sabotage or had incited workers to sabotage. He said that this purge action would be conducted down to the level of delegates who had participated directly or indirectly in sabotage operations. He concluded by expressing his conviction that the recent strike movement had been a severe defeat for the CGT and pointed to the fact that this organization's call for a twenty-four hour general strike in Paris last Saturday (Nov. 13) had only been effective, and this only in part, in the transportation system of the French Capital.

Mr. Queuille went on to say that he realized full well that France's

friends in America were worried for a number of reasons: the solidity of the French Government, the stability of the French Government's Parliamentary majority, the attacks against the Government, not only of the subversive Communist elements but also by Gen. de Gaulle's RPF, the French Government's ability to promote and effect a fiscal and financial reform, etc. The Prime Minister did not attempt overly to minimize the political dangers to which the French Government was exposed. He pointed out, however, that the first sensational comments which followed the election of the new Council of the Republic and which depicted de Gaulle as in control of that assembly, were not justified. He stated that based on the last information available to the Government, the new Council would include the following members of the governmental coalition: 80 Left Rally, 15 or 16 MPR's, 60 Socialists. He pointed out that their total came to just about half of the Council's membership and that, with a handful of independents, the Government majority would be rather secure. He thought that Gen. de Gaulle's action in implying at his press conference of November 17, that there would be no RPF candidate for the Presidency of the Council, was evidence that even de Gaulle recognized that he could not control that body.

Mr. Queuille then stated that paradoxically enough he believed that the French Government's principal political problem would be its majority in the National Assembly. He pointed out that in this body the Government could count on two different majorities: a very broad majority on clearly-drawn Communist issues, such as was demonstrated two days ago by the Assembly's reactions to Minister of the Interior Moch's very strong anti-Communist speech; another much slimmer and more brittle majority when the Government had to tackle its less sensational run-of-the-mill business.

The Prime Minister told me that immediately after the vote of confidence which he would ask for on Nov. 19—and obtain, he felt sure—he would face the Assembly with its responsibilities. During the first few days of December he would introduce bills into Parliament for the rehabilitation of France's economy, reforming France's fiscal system, and for a balanced budget. He mentioned that in order to facilitate his task he would mention this program and ask for definite commitments on the part of the Assembly when posing the question of confidence on Nov. 19 after the Communist debate. It was further asserted that these various bills would come to a vote before January 1, 1949. Mr. Queuille even said that he would go so far as to cause the Assembly's rules and regulations to be changed so that nothing could interfere with the Assembly's action on schedule. These changes would modify the procedure according to which any bill recognized as urgent by the Assembly automatically takes precedence over business which may be at hand.

Referring to France's budgetary problems, the Prime Minister declared that one of the greatest difficulties which he had to face was France's military budget. He pointed out how difficult it was to establish these credits before the definite responsibilities and assignment of the French army in case of war had been defined. He strongly favored overall planning for the defense of the West which might provide the answers to the questions he just raised. Mr. Queuille also asked for Franco-American staff conversations as well as for talks with the U.S. Government on this subject.

I then proceeded to explain some of the difficulties which I had faced and would have to face before the various Committees of Congress due to our peculiar system of budgetary authorizations as contrasted to budgetary appropriations. I told the French Prime Minister that I would very soon have to deal with Congress concerning ECA appropriations for the last quarter of this fiscal year as well as for the next fiscal year ending June 30, 1950. I pointed out the striking similarity between world problems which faced us during the war and those with which we are now confronted. Notwithstanding our success in bringing the war to a rather sudden close in both hemispheres as a result of our decision to give priority to Western Europe, our present day similar decision is meeting with opposition from various quarters advocating more substantial help to China. Consequently we need the assistance of France and of Western Europe as a whole to help prove that this overall strategy is efficacious and yielding results.

I also stressed the obvious importance of solid and concrete achievements in France to "strengthen my case" when I went before Congress. I mentioned that the implementation of the program which he had outlined (purge of Communists, economic rehabilitation, the fiscal reform, a balanced budget, etc.) would be most useful. I also mentioned that should it be possible for France to implement the Franco-Italian Customs Union this would be beneficial as it would be proof that the general aims and policies of the sixteen Powers were being translated into actual fact.

Answering the French Prime Minister's military questions, I urged that for many reasons the French Government should concentrate on the development of her ground forces. I pointed out the prohibitive costs of modern day air forces and navies and that within the Western Union supported by Canada and the United States there were not only our great strength in the air and on the sea but also Britain's fairly strong navy and air force. I mentioned our dearth of manpower in the American ground forces and said that in the case of an emergency it would be a year or perhaps even a year and a half before such American troops could be sent to France in substantial numbers. For all these reasons I pointed out that France should not waste her

limited means by attempting to build up her navy and air strength, and that on the contrary these means should be devoted primarily to the development of her ground forces, badly needed by the Western Union as a whole. In concluding, I told Mr. Queuille that I knew full well the bitter opposition that he would have to face from his air and navy Staffs but that I felt it was of the greatest importance that he steel himself and insist on the overall policy which I had outlined.

I told the French Prime Minister of our difficulties in connection with matériel and equipment left from the recent war. From 1945 on we had had no credits to care for or store this military equipment and that consequently it had largely remained in open air dumps. Another difficulty had resulted from the fact that this matériel had been picked over several times with a view to making shipments to Greece, Turkey and to China. I added that modest credits had been voted for this fiscal year but had been spent during the first three months thereof (with the consent of the Chairman of the Appropriations Committee) with good results; that not only had it been possible to complete shipments to Greece and make larger shipments to China, but it had also been possible to equip France's three divisions in Germany. Now we are faced with the problem of what we can do for French forces in France.

Mr. Queuille expressed appreciation for these views which he said would be of great assistance to him, and that he would bear them in mind in establishing France's military budget for the coming year. According to him these military expenditures would total about 300 billion francs and he would do his utmost to see that as much thereof as possible would be devoted to the development of France's ground forces.

UNITED STATES POLICY WITH REGARD TO FRENCH NORTH AFRICA¹

S/S-NSC Files, Lot 63 D 351, NSC 12 Series

Memorandum by the Policy Planning Staff

TOP SECRET
PPS-25²

[WASHINGTON,] March 22, 1948.

FRENCH NORTH AFRICA

THE PROBLEM

To outline a policy with regard to French North Africa which will operate to prevent that area from falling into the hands of elements

¹ For related documentation, see *Foreign Relations*, 1947, vol. v, pp. 669 ff.

² This text, circulated at the request of the Under Secretary of State to the National Security Council on May 28 as NSC 12, was based on a paper of January 30, 1948, by Mr. Henry S. Villard of the Policy Planning Staff.

hostile to this country or vulnerable to penetration by political forces outside the Atlantic community.

Analysis

1. French North Africa is important to the security of the United States primarily because of its strategic geographical position flanking U.S. routes to the Eastern Mediterranean and the Middle East as well as Great Britain's Mediterranean lifeline. Of the three territories forming the political and geographical unit of French North Africa—French Morocco, Algeria and Tunisia—French Morocco is particularly important because it serves as the keystone of a bridge between the Atlantic and the Mediterranean.

2. The strategic significance of the North African area to the U.S. was amply demonstrated during World War II. Our advance on the European continent was preceded by landings in French Morocco, Algeria and Tunisia. The ensuing military action not only denied this strategic area to the enemy but afforded a base of operations which led to the destruction of the enemy forces already in Africa. In French West Africa, Dakar was regarded as a potential enemy submarine base, resulting in the joint declaration of President Roosevelt and President Vargas of Brazil that Dakar should never again be a threat to the security of the Western Hemisphere.³

3. With the rapid development of air power, the geographical position of North Africa assumes added importance. In hostile hands, the air and naval bases of this area, especially those in French Morocco, could exercise control over the Atlantic approaches to the Mediterranean and the sea lanes down the West African coast. Such hostile bases could neutralize potential U.S. Atlantic bases in the Azores or other neighboring islands and cut the most direct line of access to the petroleum of the Middle East. North Africa, therefore, because of the greatly increased potential of modern air warfare, now lies within a logical expansion of the zones of minimum security previously maintained by this country.

4. Conversely, a North Africa in friendly hands could afford corresponding advantages to the U.S. It would be a valuable base for the launching of air attacks, naval operations or amphibious landings against an enemy-occupied Europe. Its utilization by the U.S. or a friendly power would complement and strengthen any U.S. bases in the Atlantic islands. The climate of the North African area is such as to favor the conduct of aerial operations the year round. In the event

³ For the text of a statement released to the press by the White House on January 30, 1943, regarding a meeting two days earlier of Presidents Roosevelt and Vargas at Natal, Brazil, see Department of State *Bulletin*, January 30, 1943, p. 95. For additional information on the meeting, see *Foreign Relations*, 1943, vol. v, pp. 653 ff.

of military action in the Middle East, a North Africa friendly to the U.S. and the Western powers would contribute greatly to the security of the Suez area.

5. During World War II relations between France and the native population of Morocco entered a new phase in which the most significant factor was the growth of North African nationalism. Since the war nationalism has tended to spread from the middle class intelligentsia to both the masses and the upper classes because of general loss of confidence in the capacity of France to defend North Africa and in her intention to promote native welfare and political self-determination. The pro-French native elements hesitate to support the French for fear of incurring the wrath of the nationalists.

6. U.S. wartime propaganda was in part responsible for the recent spur to North Africa nationalism and for the present unrest in the area. The Atlantic Charter declared that the American and British Governments "respect the right of all peoples to choose the form of government under which they live".⁴ Descriptions of the Charter and of the Four Freedoms were extensively spread among the native inhabitants at the time of the Allied landings in order to create a favorable atmosphere for our forces. There is strong evidence that President Roosevelt, during the Casablanca Conference of 1943, personally encouraged the Sultan to hope for American support in throwing off French control and in preparing Morocco, possibly under a joint U.S. British and French protectorate, for independence some years hence.⁵

7. The situation in Morocco may soon prove critical because of the youth and inexperience of the fast developing nationalist movement together with the warlike traditions of the Moroccan natives. At the present time, the various nationalist parties of [or] movements in Morocco have been seeking to unite under encouragement from the Sultan and with the avowed support of the Arab League. The Sultan, capitalizing on the political events of the past few years, on the ferment and ambitions of the Moslem intelligentsia, on the prevailing discontent, and on the hardships suffered by the masses, has succeeded in making his person the living symbol of the new aspirations of his people.

8. One of the principal aims of the French in Morocco is believed to be to force the Sultan to accept certain moderate reforms which the French have determined to institute in the Protectorate. In the past the Sultan has refused to accept such reforms on the ground that they were not far-reaching enough; instead, he has reportedly demanded measures which would virtually make Morocco independent. The na-

⁴ For text, see *Foreign Relations*, 1941, vol. I, p. 367, or 55 Stat. (pt. 2) 1603.

⁵ For a proposed revision of this paragraph, see Mr. Henderson's memorandum of June 11, p. 713.

tionalist leaders in general are agreed on the objective of restoring national sovereignty under the reigning dynasty.

The French are unwilling to consider independence even as a distant goal, and appear resolved to integrate French Morocco politically into the French Union.

9. The communists in North Africa are exploiting the situation by attempting to form a united front with the nationalist parties, which the nationalist leaders have so far resisted. It may be assumed that communist policy is to gain control of the area for Moscow, either directly or indirectly. At present the communists are demanding "autonomy within the French Union", with immediate abolition of protectorate treaties, signing of new treaties, and universal suffrage. By advocating universal suffrage, the communists hope eventually to use the masses against the nationalist leaders themselves. Their future tactics, however, will depend upon the internal political situation in France, the position of the French Communist Party, and, ultimately, upon orders from Moscow.

A possible unified Nationalist-Communist independence movement must not be overlooked in spite of the current differences between communists and nationalists.

10. Notwithstanding the desire of responsible native leaders to refrain from violence, at least until one of the Arab states has succeeded in bringing the problem of French North Africa to the attention of the United Nations, a single outbreak accompanied by severe repressive measures could result in a widespread rebellion that both the nationalist leaders and the French Government would find difficult to control.

Even if such a rebellion should be successful, with or without communist assistance, it would be undesirable to have a Morocco abruptly independent. Moroccans are not yet ready for independence, having neither the personnel nor the technical knowledge to run their country without outside assistance, nor the means of maintaining their national security. A sudden severance of ties with France would, therefore, lead to the establishment of a weak state which would be vulnerable to subsequent domination by the communists.

11. In Spanish Morocco the situation is similar to, but not identical with, that in French North Africa. The Moroccan Independence Movement operating from its base in the Spanish protectorate, is in close touch with the nationalists and, it is believed, with the Sultan in French Morocco. It will be recalled that the fiercest resistance to foreign domination was offered by the Riffian Chieftain Abd-el-Krim in the wars culminating in 1926. Abd-el-Krim remains a symbol to his successors, who are attempting to carry the cause of Moroccan independence before the world through an appeal to the United Nations.

The Moroccan Policy of the Spanish Government is vacillating and ill-defined. If open revolt should take place, however, it is likely that the Riffian tribes in Spanish Morocco would be the first to resort to violence. In such an event there is a strong possibility that the violence would spread to all of North Africa.

The U.S. has never recognized the Spanish protectorate in Morocco. It is to our interest, however, eventually to establish our position in that territory because of the strategic location of the area and the possibilities it might offer for bases complementary to those in French Morocco. Such a development would of course depend on a change in our relations with the Government of General Franco; but from hints dropped by Spanish officials in Spanish Morocco it probably would not be difficult for us to reach a military understanding with respect to the area.

12. The special position of the United States in the International Zone of Tangier and our participation in its administration⁶ are also of political and strategic importance to this Government. Tangier was the headquarters for the strategic preparatory work for the North African landings; there is now located in the International Zone the main Atlantic relay base in the RCA and Mackay world telecommunications systems, handling radiotelegraphic communications with the greater part of the Eastern Hemisphere except for the Far East; and Tangier will probably serve in the near future as one of the relay bases for the "Voice of America". Nowhere else on the Eastern side of the Atlantic do we have such facilities available to us *by right*, i.e. through our extra-territorial privileges.

The international regime in Tangier is the only one of its kind in the world today which is functioning as such in an orderly and peaceful manner and which gives promise of continuing to do so. United States participation in the international regime guarantees the United States additional control over our position in the area.

CONCLUSIONS

13. The development of the U.S. into a major world power together with the wars that have been fought by this country to prevent the Atlantic littoral of Europe and Africa from falling into hostile hands, the increasing strategic dependency of England upon the U.S. and the situation brought about by the rise of air power and other technological advances, have made it necessary that a new concept should be applied to the entire group of territories bordering on the Eastern

⁶ For documentation on United States interest in Tangier, see *Foreign Relations*, 1945, vol. VIII, pp. 601 ff. and 1946, vol. VII, pp. 51 ff., and for related material, see Marjorie M. Whiteman (ed.) *Digest of International Law*, vol. 6, pp. 229 ff., on extraterritorial jurisdiction.

Atlantic at least down to the "Bulge" of Africa. The close interflexion of the French African territories bordering on the Mediterranean means that these further areas must also be considered an integral part of this concept.

14. This would mean, in modern terms, that we could not tolerate from the standpoint of our national security the extension into this area of the political system of any power which is not a member of the Atlantic community, or a transfer of sovereignty to any power which does not have full consciousness of its obligations with respect to the peace of the Atlantic area as a whole.

It means that the maintenance of stable and peaceful conditions in North Africa is of definite and legitimate concern to this country in the interest of its own security.

RECOMMENDATIONS

15. In view of the direct relationship of French Morocco to U.S. security under modern concepts, we should as a first step embark upon a dynamic policy to establish our interest in that area on as favorable a basis as possible. To that end we should work actively and continuously toward an understanding with the French which would reflect our desire to have France continue to bear the responsibility for the maintenance of peace and security in Morocco, and at the same time convince them that we have a legitimate interest in the stability of the region because of its relation to our national security and world peace in general.

We should at every opportunity point out to the French that we are not seeking to disrupt their empire or to place in jeopardy their position in North Africa. We should say that in our opinion the people of Morocco can best advance under French tutelage and that the established association between France and Morocco should not be broken. We should point out that in our view any disorders or untoward events in the Moroccan area would not only invite the danger of communist exploitation, but would be a matter of concern to us because of their adverse effect on France's own world position, which it is in our interest to maintain. We should stress the fact that we are prepared to cooperate in every feasible way with the object of combatting communism in the area.

16. While we should strongly support the position of France in Morocco, making it emphatically clear that we are not attempting to disrupt French rule, we should not lose sight of our policy to favor the gradual evolution of dependent peoples toward self-government in accordance with their training and capacity to manage their own affairs. We should therefore make every effort to persuade the French

of the necessity for resolving the conflict between nationalist political aspirations in Morocco and French colonial attitudes in general. We should tactfully point out that the present tension in Morocco is a responsibility of France which cannot be ignored and that we are concerned lest it lead to violent upheaval. We should seek to induce the French to obtain the voluntary cooperation of Moslem leaders in carrying out promised reforms, primarily by announcing an ultimate goal of autonomy or self-government for the area, by announcing a "timetable" as soon as possible and by taking the more moderate leaders into the confidence of the Government. If the French accept this thesis we should make clear our intention to exert our influence with the Moslem leaders to acknowledge the concept of gradual evolution instead of immediate independence.

We should emphasize our belief on every suitable occasion that the development of French Morocco in an atmosphere of voluntary cooperation with the native inhabitants, reciprocal trust, and a realization of mutual need would redound to the benefit of France and Morocco alike, as well as to the interests of the U.S.

17. Officials of the French Residence General at Rabat are believed to be well disposed to the U.S. While the implementation of French policy in Morocco is invariably directed from Paris, this policy can probably be influenced to an appreciable extent by reports of the French representatives at Rabat. We should, therefore, in addition to continuing our efforts with French officials in Paris, take advantage of every indication of French readiness to cooperate with American officials in Morocco with a view to promoting better relations and demonstrating our point of view. We should continue to keep our officers in the field fully informed of our own policies and, specifically, furnish them with a copy of this document so that they will be sufficiently well briefed to explain locally our approach to the central authorities in Paris.

18. As special corollaries with regard to Morocco, we should give particular attention to the following:

1. Preservation of our extra-territorial rights and the wise utilization of the unique position we enjoy thereunder in bringing our views to bear on the French;

2. Consideration of the replacement of those rights in due course by a treaty with the French guaranteeing us *national* treatment;

3. Careful administration of our base rights at Port Lyautey and the possibility of their extension if deemed advisable by the Joint Chiefs of Staff;

4. Continued exploration of the possibility of transferring our diplomatic establishment at Tangier to Rabat, seat of the French administration and residence of the Sultan;

5. Active consideration of policies with regard to Spanish Morocco,

including possible recognition of the Spanish Protectorate, which, in the light of our strategic interests in the area, would supplement our policies in French North Africa.

880.00/4-2948 : Circular telegram

*The Secretary of State to Certain Diplomatic and Consular Missions
in Europe and North Africa*¹

TOP SECRET

WASHINGTON, April 29, 1948—4 p. m.

We believe conference North African political problems patterned after one held last year² would now be useful and profitable to all concerned. We have tentatively scheduled such conference to be held in Paris on May 24 as secretly as possible. It would be attended by principal officers from North African posts, plus representatives from Embs at Paris and Cairo, Consul designate to Tripoli, US Delegate Four Power Commission Investigation Former Italian Colonies,³ and representatives from Western European and African Divisions Dept. Most important items of agenda would be as follows :

1. Effects on political situation French North Africa of such steps as have been taken since last year as result our pressing French for more far-sighted policy toward Tunisia, Morocco, and to lesser extent, Algeria.

2. Suggestions for further implementation of a policy of encouraging French and North Africans reach general entente which will result in political stability and ultimate good of France and North Africa.

3. Best estimate effects on French North Africa of following possible solutions for final disposition Libya :

- A. Independence of a United Libya.
- B. Brit trusteeship over Cyrenaica and Italian trusteeship over Tripolitania.
- C. Brit trusteeship over both Cyrenaica and Tripolitania (whether single trusteeship over United Libya or individual trusteeships over two separate areas).
- D. Other possible solutions such as American, Arab League or Egyptian trusteeship.
- E. French control (possibly under trusteeship agreement) over Fezzan in any or all of above cases.

Conference should bear in mind that (a) to date, France have favored Italian trusteeship over Tripolitania because they fear that

¹ Addressed to the diplomatic missions in France, Tangier, the United Kingdom, Egypt, and Morocco, and to the consular posts at Algiers, Casablanca, Rabat, and Tunis.

² For a report on the conference held at Paris, June 16-19, 1947, see *Foreign Relations*, 1947, vol. v, pp. 690-698.

³ For documentation on United States policy regarding the former Italian colonies, see pp. 891 ff.

either independence or Brit trusteeship would have disturbing effects on French North Africa and make French control there much more difficult; (b) almost all info available to Dept indicates majority Tripolitani-ans will oppose by means at their disposal return Italian administration and (c) any trusteeship agreements may contain specified time limit for independence of territories. Even if they do not, it will probably be made very clear that object of trusteeship is prepare area for independence in shortest possible time.

4. Steps which (a) French should take, (b) will probably take, to minimize as much as possible political effects on French North Africa of above possible solutions for final disposition Libya.

5. There have been increasing indications North African Nationalists, in collaboration with Arab League, will make serious attempt this year present case of North Africa, or some part thereof, to General Assembly. Discuss probability and present best estimate of how case may be prepared, what Conference thinks French position will be, and what it thinks US position should be.

Sent Paris 1448 and Tangier as 100; rptd Rabat 4, Casablanca 29, Algiers 58, Tunis 34, Cairo 480, London 1528. Your comments are invited.

MARSHALL

880.00/5-348 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, May 3, 1948—6 p. m.

2349. Embassy strongly favors suggestion in Deptel 1448 of April 29¹ for convening of North African political conference patterned after one held June 1947 Paris and would welcome opportunity to review situation with our officers in North Africa and Department. The only question our minds is one of timing.

As things now stand Embassy continues to adhere completely to findings and recommendations of Paris 1947 conference (Paris despatch 9033, June 20, 1947²) but under current French conditions new major French policy moves concerning Overseas France are still hampered by political situation. The coming summer, however, should bring new elements into picture. For example, should Schuman Government last until good crops now forecast be gathered, the chances of a straight De Gaulle Government, threat of which is perhaps greatest stumbling block to progress would at least temporarily recede.

Pertinent French definitions of "autonomy within French Union" now in process of elaboration in connection with protectorates of

¹ *Supra.*

² *Foreign Relations*, 1947, vol. v, p. 690.

Annam, Cambodia and Laos as well as in connection with all of Indo-China. Furthermore it will be interesting to observe to what good use the French will put the "reprieve" temporarily granted to them by the recent elections to Algerian Assembly (my despatch 555, April 15).³

Consequently we feel proposed meeting might be more fruitful in late summer when intervening developments should permit more constructive examination of French actions and possible means of bolstering US policy. However, the Embassy will naturally be guided by the Department's wishes in the matter and I only put forward the above thoughts for consideration along with the comments which the Department will receive from the other offices consulted.⁴

Sent Department 2349; repeated Tangier 12, Casablanca 20, Rabat 12, Algiers 53, Tunis 25, Cairo 24, London 348.

CAFFERY

³ Not printed.

⁴ In telegram 1574 to Paris, May 7, 5 p. m., not printed, the Department of State informed the Embassy that because of the "importance obtaining soonest maximum info paragraphs 3 and 4" of the agenda, and for budgetary reasons, the Conference would begin on May 24 (880.00/5-348).

880.00/5-748 : Telegram

The Diplomatic Agent and Consul General at Tangier (Plitt) to the Secretary of State

[Extract]

TOP SECRET

TANGIER, May 7, 1948—10 p. m.

101.

Brief comments follow order listed Deptel 100.¹

1. No concrete results so far evident from so-called change French policy in Morocco. Setting up Moroccan General Council with only rubber stamp authority no solution.

2. So long as Resident General² surrounded by non-constructive advisors believe general entente between French and Nationalists impossible. Nationalists pending achievement their objective, prefer men who not only adhere to both letter and spirit treaty offer but show more comprehensive and conciliatory attitude toward Sultan whose prestige seems increasing. Unless definite time limit set by French for Moroccans achieve autonomy, any proposals looking toward Libyan independence likely to arouse Moroccans' resentment and increase demands for their independence now.

¹ Circular telegram of April 29, p. 689.

² Gen. Alphonse Pierre Juin, Resident General of France in Morocco.

3. Neither British nor Italians being in favor with Moslems, Arab morale and American prestige might be served best by support or eventually by an independence via time-limited trusteeship under Arab League Egyptian aegis. While Arabs would probably prefer American trusteeship, we should hesitate undertaking it because of invidious comparisons French can be expected to make of any trusteeship with their own long-established North African regimes, and likelihood of any regime, no matter how well-intentioned and applied becoming scapegoat of malevolent criticism if unable conciliate conflicting Arab and other interests. French control of Fezzan likely arouse not only resentment among Arabs but add to their suspicion French motives in her other North African possessions.

4. See 3.

5. Mahdi Bennouna expected to present again to United Nations Moroccan case similar to last year unless there is decided change in policy of Presidency General effectively furthering Nationalist aim. While I do not believe that Morocco is ready for independence and French Protectorate is in principle in best interests Moroccans, our support of French in General Assembly discussions of Moroccan case should be made contingent upon firm and effective assurance from French that schools, hospitals, housing and other social improvements commensurate with needs eight million people will be met scrupulously with least possible delay.

Sent Department 101, repeated Paris 10, Algiers 5, Tunis 4, Cairo 4, London 2, Rabat 3, Casablanca 4.

PLITT

880.00/5-1348

Memorandum by the Assistant Chief of the Division of African Affairs (Palmer) to the Director of the Office of Near Eastern and African Affairs (Henderson)

TOP SECRET

[WASHINGTON,] May 13, 1948.

As requested by Mr. Satterthwaite,¹ we are giving below AF's comments on the five points of the agenda prepared for the North African Conference to be held at Paris on May 24th:

1. "The effects on the political situation in French North Africa of such steps as have been taken since last year as a result of our pressing the French for a more far-sighted policy toward Tunisia, Morocco, and, to a lesser extent, Algeria."

We suspect that there is going to be a difference of opinion on this point at the conference, with most of the North African officers main-

¹ Joseph C. Satterthwaite, deputy director of the Office of Near Eastern and African Affairs.

taining that there has been little effect because we have not pressed the French enough and the Embassy taking a contrary view. We hope that this discussion will indicate the need for further talks with the French.

2. "Suggestions for the further implementation of a policy of encouraging the French and the North Africans to reach a general entente which will result in political stability and the ultimate good of France and North Africa."

We are informed that the Planning Staff paper on French North Africa ² will shortly be released to the field after one or two minor changes and will be available for the Conference in Paris.

3. "The best estimate of the effects on French North Africa of the following possible solutions for the final disposition of Libya:

"A. Independence of a United Libya.

"B. British trusteeship over Cyrenaica and Italian trusteeship over Tripolitania.

"C. British trusteeship over both Cyrenaica and Tripolitania (whether a single trusteeship over a United Libya or individual trusteeships over two separate areas).

"D. Other possible solutions, such as American, Arab League, or Egyptian trusteeships.

"E. French control (possibly under a trusteeship agreement) over the Fezzan in any or all of the above cases.

"The Conference should bear in mind that (a) to date, the French have favored an Italian trusteeship over Tripolitania because they fear that either independence or a British trusteeship would have disturbing effects on French North Africa and make French control there much more difficult; (b) almost all information available to the Department indicates that the majority of Tripolitans will oppose by all means at their disposal a return of Italian administration to their country; and (c) any trusteeship agreements may contain a specified time limit for the independence of the territories. Even if they do not, it will probably be made very clear that the object of the trusteeship is to prepare the area for independence in the shortest possible time."

AF's opinion is that, next to independence and Arab League or Egyptian trusteeships, the worst solution for Libya,³ from the point of view of the French, would be Italian trusteeship because of our belief, on the basis of all evidence available, that the Arabs will oppose the return of the Italians with violence. We think that the Conference will confirm this belief. If such is the case, it would be very helpful to us in reaching the U.S. position and in talking to both the British and the French. If the Conference does not confirm this belief and has

² Dated March 22, p. 682.

³ Marginal note: "I disagree to this. There could be a number of worse solutions for France. L[oy] W. H[enderson]."

good reasons for believing otherwise, we would, of course, want to know that as soon as possible.

4. "The steps which (a) the French should take, (b) will probably take, to minimize as much as possible the political effects on French North Africa of the above possible solutions for the final disposition of Libya."

Even if that solution is found for Libya which is the least harmful from the point of view of the French (and this, in AF's opinion, would be British trusteeship), we believe that the French should meet this problem intelligently in advance by liberalizing their own policy toward French North Africa. We believe also that this can be done best by implementation of the Department's policy on the subject, namely an announcement of long-range plans which would lead the area toward self-government. We do not believe, however, that, to obtain the best effect, the agenda should contain what may seem to be preconceived ideas, particularly as we feel fairly confident that the conference will come to this conclusion on its own accord.

5. "There have been increasing indications that the North African Nationalists, in collaboration with the Arab League, will make a serious attempt this year to present the case of North Africa, or some part thereof, to the General Assembly. Discuss the probability and present the best estimate of how the case may be prepared, what the Conference thinks the French position will be, and what it thinks the U.S. position should be."

No comment.⁴

⁴ Handwritten comment at foot of document: "I agree with the agenda. In my opinion the Dept's representative should play the role of observer and make no attempt to influence decisions. We want the *real* field's point of view. L. W. H."

880.00/5-3148

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, May 31, 1948.

No. 831

SIR: I have the honor to forward herewith the agreed findings and recommendations of the North African Conference held at this Embassy on May 24, 25, 26, 27 and 28, 1948, pursuant to the Department's instructions. This Conference was attended by representatives of our missions in Morocco, Algeria, Tunisia, Libya, Egypt, Great Britain, Italy and France, as well as by observers from the Department. It was my privilege to preside at the opening session, after which Mr. Edwin A. Plitt, Diplomatic Agent at Tangier, acted as Chairman. Mr. Ridgway B. Knight, of this Embassy, served as head of the Drafting Com-

mittee. The agenda as well as a list of the officers who participated in the Conference's work are also enclosed.

All sections of the enclosed report were unanimously approved.

I feel that this Conference, like its predecessor in 1947, was most useful in that it permitted an exchange of valuable information, personal views, and made it possible to consider not only the over-all Franco-North African problem but also the Libyan question in relation thereto.

Respectfully yours,

JEFFERSON CAFFERY

Enclosure 1

AGENDA

I. Present status of French North Africa. Measures adopted by French authorities during the past year. Results thereof.

- (a) Morocco.
- (b) Tunisia.
- (c) Algeria.

II. Suggestions and possibilities of inciting French and North Africans to cooperate with a view of reaching a general entente leading to political stability of the area, as well as to the ultimate good of France and North Africa.

III. What will be the effect on French North Africa of the final disposition of Libya based on the possible following solutions?

- (a) Independence of a united Libya.
- (b) Italian trusteeship for Tripolitania and British trusteeship for Cyrenaica.
- (c) British trusteeship for all of Libya (either single mandate or two individual trusteeships for Tripolitania and Cyrenaica).
- (d) Alternative solutions such as United States, Egyptian or Arab League trusteeship.
- (e) The Fezzan—possible French control over area under any or all of above cases (possibly under trusteeship agreement).

IV. (a) What steps should France take to minimize to greatest extent possible the political effects on French North Africa of the preceding possible formulae for the final fate of Libya?

(b) What steps will she probably take?

V. More and more indications have been received that North African Nationalists will make serious attempt this year, supported by Arab League, to present North African case, in toto or in part, to the United Nations General Assembly.

- (a) Probability of above?
- (b) How will case be prepared and presented?
- (c) What will be France's position?
- (d) What should be the position of the U.S.?

VI. Communist activities and objectives in French North Africa. Their relationship with policies and aims in France proper and elsewhere in the French Union. (Item suggested by Mr. Packer).

VII. Plans and opportunities for OIE work in French North Africa. (Item suggested by Mr. Packer).

Enclosure 2

ATTENDANCE

Morocco	Chairman—Edwin A. Plitt, Diplomatic Agent, Consul General with rank of Minister at Tangier. Colonel Marion Carson, U.S.A., Military Attaché at Tangier. Commander Howard White, Naval Attaché at Tangier. C. Paul Fletcher, Consul General at Casablanca. Maurice Pasquet, Consul at Rabat.
Algeria	Harold D. Finley, Consul General at Algiers.
Tunisia	Earl L. Packer, Consul General at Tunis.
Libya	Orray Taft, Jr., Consul Designate at Tripoli.
Egypt	Philip W. Ireland, First Secretary of Embassy at Cairo.
Great Britain	George Lewis Jones, Jr., Second Secretary of Embassy at London (was recalled to London in the evening of May 24).
Italy	Homer M. Byington, Jr., Counselor of Embassy at Rome.
Department of State	Harry A. Schwartz, Acting Assistant Chief, Division of African Affairs. John Utter, American Commissioner, Four-Power Committee for Italian Colonies.
France	James C. H. Bonbright, Counselor of Embassy at Paris.
	Head of Draft- ing Committee } Ridgway B. Knight, Second Secretary of Embassy at Paris. Lt. Col. Paul Birdsall, U.S.A., Assistant Military Attaché at Paris.

Enclosure 3

NORTH AFRICAN CONFERENCE, PARIS, May 24-28, 1948

AGREED FINDINGS AND RECOMMENDATIONS

ITEMS I AND II OF AGENDA

I. Present status of French North Africa. Measures adopted by French authorities during the past year. Results thereof.

- (a) Morocco
- (b) Tunisia
- (c) Algeria

II. Suggestions and possibilities of inciting French and North Africans to cooperate with a view of reaching a general entente leading to political stability of the area, as well as to the ultimate good of France and North Africa.

Morocco

The Conference, considering the present status of Morocco, accepted the agreed findings of the June 1947 North African Conference as being essentially valid today. (See Appendix I to this report.)¹

The Conference then proceeded with an examination of the reforms instituted during the past year by the French authorities in Morocco. While accepting on the one hand that the state of mind in top political circles in Paris appears to be on the whole liberal and in harmony with the evolution program towards self-government which was recommended by the 1947 Conference, it was felt, on the other hand, that the reforms actually instituted to date are either inadequate, or controversial in nature.

The reform of the Cherifian Government (Council of Directors and Vizirs) of June 21, 1947, was held to be of no practical value until such time as the Moroccan officials appointed to work with the French Directors will be entrusted with real authority and prepared for the assumption of greater responsibilities at a later date and until such time as the School of Administration in Rabat has opened its doors and started to train Moroccan cadres. With reference to the planned judicial and municipal reforms, it was felt that it was still impossible to assay their true worth as they were still in their preliminary stages.

The reform of the Government Council with a partial and very limited indirect election of some of the members of the Moroccan college was noted and was felt to be only a timid first step toward representative Government.

¹ Appendix I is not printed here, but for the text of the recommendations in the report of June 1947, see *Foreign Relations*, 1947, vol. v, p. 691.

In the field of public liberties it was felt that little had been achieved.

With reference to public instruction it was observed that the French had made an effort in this direction, and mention was made of the increase of nearly Frs. 500,000,000 for public education in the 1948 budget which now includes a total appropriation of Frs. 1,613,969,000 under this heading (so far it is not known how this amount will be subdivided between Moslem and European schools). Regret was expressed, however, that the French authorities have interfered for political purposes with the opening of a few public schools which had been financed and organized by Moroccan Moslems.

With reference to the continued economic development of Morocco, French accomplishments were recognized. Regret was expressed that French elements in the country had been unduly favored in many ways and, in particular, had received an unduly large share of equipment, such as essentially needed tractors and other mechanized farm equipment.

Essentially it was the sense of the meeting that French accomplishments in the field of reforms during the past year had been disappointing.

The meeting then considered the evolution in Moroccan Nationalist opinion and attitude during the same period. It was agreed that the Nationalists' *intransigence* had increased and that they now insisted on "full independence" before discussing the modalities under which such so-called "full independence" would be exercised. Concern was also expressed that the more extreme Nationalist elements systematically refused to cooperate with any Moslem party or group which does not set forth immediate full independence as the first of its demands.

The meeting then considered the means for constructive American action intended to increase the political stability of the area as well as to insure the ultimate good of France and of North Africa. On the one hand, it was unanimously agreed that no policy could be advocated which would in fact lead to a return to past obsolete colonial policies or to the increase or protection of direct French administration in Morocco. On the other hand, it was also unanimously agreed that Morocco was not yet ready for independence and that support at this time of Nationalist aspirations in this direction would not be in the general good.

Finally, it was accepted that today the French Union exists only in theory and that its definition as well as the definition of the rights and privileges of the parts thereof were now only in the process of elaboration. Therefore, it was felt that no useful purpose would be gained by endeavoring to ascertain whether or not Morocco should

ultimately be included within an undefined entity. However, it was also agreed that the interests of the United States would best be served should Morocco and the other parts of French North Africa eventually and willingly agree to join this Union rather than become a mosaic of weak and nominally independent States. At the same time the Conference expressed deep interest in a sufficiently liberal and truly federal elaboration of the French Union concept to permit and even incite the willing membership of Morocco and Tunisia. It was felt that the United States could play a most useful role during this crucial formative period by influencing the French towards true liberalism and federalism with real local autonomy.

In view of the above and more particularly in view of the limitations to its recommendations which the Conference accepted, it was felt that the only feasible course of action for the United States Government follows the lines set forth last year and which appear on pages 16, 17, 18 and 19 of the 1947 North African Conference final paper (Appendix I to this report), with special emphasis on the "Time Table" provisions thereof. The Conference felt that with a view to decreasing existing tension, it might be useful should the French authorities permit the legal organization of political parties by Moslems in Morocco and Tunisia; in this connection it was pointed out that the French currently tolerate the *de facto* existence and the activities of the Nationalist parties in both Protectorates.

It was felt, however, that this program should now be supplemented and that further stress be placed upon it. In particular, it was thought that the French Government being now well aware of the true character of United States policy, the efforts which should continue to be exerted in Paris should now be supported and reinforced by similar initiatives of our officers in Morocco who should seize upon every opportunity to insist with local French officials on the importance the United States Government places on the elaboration and immediate execution of an acceptable plan of evolution.

It was felt that the Department of State might usefully follow a similar policy with the French Embassy in Washington.

In view of the vital strategic importance of French North Africa it was accepted that no comminatory language could be used in our conversations with the French which might alienate them, as for the time being and for an indeterminate future French organization and administration are believed to be essential to the maintenance of those conditions of public order needed for the protection of North Africa's strategic value to the United States. However, as time may be limited, an all-out effort as stated above should be made simultaneously in order to break down the traditional French inertia in colonial thinking and

actions by the Department in Washington, the North African posts, and by the Embassy.

In particular, every effort should be exerted to persuade France that if she can put herself in the position of leading peoples dependent upon her toward the contemporary inevitable goal of autonomy or so-called "full independence", she will thus become a valued friend instead of the "bête noire."

In such conversations it was suggested that mention may be made of the direct American strategic interest in the area involved as well as of the direct American interest in view of the costly and vital part which the United States is playing in the rehabilitation of metropolitan France.

The Conference, as did the Conference of 1947, again unanimously concluded that French administration in Morocco was direct in fact if not in theory and that the Act of Algeiras as well as the Treaty of Fez were thus effectively violated. However, the Conference did not feel that it would be advisable to use this legal argument as a threat to influence French policy at the present time. Indeed it was believed that should this rather far-reaching position be adopted today, the United States would probably have to retreat, as for strategic and other reasons of paramount national interest it was thought that nothing would be done which could endanger public order and political stability of Morocco. Consequently it was felt that it would be ill-advised to blunt this argument by premature and ineffective use. Instead it was unanimously recommended that this recognized violation of the Treaty of Fez be kept in reserve for use as an argument with the French Government at such a time as the United States might feel compelled to intervene directly and energetically in Moroccan affairs. At that time the continued violation of the Treaty of Fez and the resulting encroachment upon American rights should be forcefully brought to the attention of the French because it is believed that continued acquiescence to these violations by the United States will make it progressively more difficult for the United States to defend or recover its established Treaty rights.

It was recommended that once the French have adopted a plan of evolution acceptable to us, we then approach Moroccan and Tunisian Nationalist leaders along the lines set forth in Section IV of the Recommendations contained in the final paper of the 1947 Conference.

It is still believed that such action can only be undertaken usefully after preliminary agreement with the French, as should the Nationalists be approached simultaneously, and should they derive the impression that the United States is forcing a course of action upon France, the latter country's prestige would be so affected and her authority

so weakened as to prevent the orderly solution desired, the Moroccans and Tunisians "writing France off" and being unwilling to negotiate or to cooperate with a European nation so weak as to be incapable of adopting its own policies for areas which for decades have been within its orbit.

The Conference then considered the influence of Palestine developments in Morocco and elsewhere in French North Africa. While on the one hand it was agreed that the vast majority of Moghreb Moslems felt no close ties with the Arabs of Palestine, it was nevertheless felt that widespread dismay and discouragement followed American recognition of Israel and that the situation in the Holy Land could at any time be effectively exploited by North African Arab leaders, particularly should Arab resentment reach the proportions of a "Jihad". For the time being it was agreed that Moghreb reactions, particularly as local leaders do not appear intent on capitalizing on the propaganda value of the issue, will be limited to financial drives and perhaps to a limited number of volunteers. It was also noted that Moslem leaders in French North Africa seemed anxious at the present stage to prevent pogroms and anti-Jewish agitation. However, in view of the high potential disturbing aspects of the Palestine situation, the Conference agreed that developments in the Holy Land should be closely watched in connection with the Moghreb as an important possible over-all factor.

Tunisia

While the reforms introduced by the French authorities in Tunisia seem to be more extensive than in Morocco, the Conference agreed that the general findings and recommendations in the case of Morocco apply, even though to a somewhat lesser extent, in the case of Tunisia.

The principal reform measures which the French have applied in Tunisia in recent months have been :

(1) The abolishment of press censorship which occurred in April 1947;

(2) The reorganization of the Council of Ministers, which occurred in August 1947; and

(3) The abolishment of the Higher Council, thereby placing a greater responsibility on the Grand Council, which occurred in April 1948.

Certain comments on the foregoing items, in order of sequence, may be of interest :

(1) The abolishment of the press censorship occurred before the June 1947 Conference at Paris and accordingly was unconnected with any post-Conference pressure by the United States Government on the French Government for the application of reforms in North

Africa. While censorship has been abolished, the Government does at times admittedly exert some pressure on the press. While occasionally this action may be repressive, it can also be constructive. An example of the latter very recently has been, according to the Resident General himself, a request made of the press that it refrain during the present Palestine crisis from publishing inflammatory items.

It is of interest to note that the Tunisian Communist Party organ, *L'avenir de la Tunisie*, is permitted to be published as the official organ of the Party, whereas the Destourian Parties are not allowed the same privilege. (This naturally follows from the fact that the Communist Party is legal, whereas the two Destourian Parties are illegal.)

(2) The reorganization of the Council of Ministers in August 1947 and the creation of the "Cabinet Council" has resulted in the six Tunisian Ministers receiving a measure of authority, but the attachment to each Minister of a so-called French Advisor ("Conseiller") who, if he disagrees with the Minister can cause a particular question to go to higher level, even the Resident-General himself, severely limits such authority.

(3) The abolishment of the Higher Council in April 1948 has returned to the Grand Council its previous authority in regard to the Tunisian budget and thereby removes from the hands of the Government a weapon which was previously held as a threat over the Grand Council's action, the Higher Council having had the authority to make into law any proposal upon which the Tunisian and French sections of the Grand Council did not agree. The Grand Council remains, however, a consultative body.

While the foregoing reforms represent some progress in the way of giving greater authority to the Tunisians, a number of reform measures envisaged in the French Foreign Office Policy Folder have not been put into effect. Among these are :

(1) Only one municipality, Tunis itself, out of 46 proposed municipalities, has so far been formed.

(2) The creation of an "administrative tribunal" has not yet been effected, although its creation is expected to take place in the very near future.

(3) The "National School for Administration" has not yet been established.

With regard to the matter of a "time-table" for putting further reforms into effect, the Resident-General has indicated that, because of a very fluid situation, it is not practicable to announce "what one is going to do today, tomorrow, or the next day."

Among concrete measures which the French might logically take to encourage the Tunisians to look forward to eventual self-government, would be the recognition as legal organizations of the two Destourian Parties, thereby putting them legally on a basis equivalent to that of the Communist Party.

Algeria

For the same economic, social and demographic as well as political reasons which were set forth last year, it was felt impossible to consider Algeria in the same fashion and at the same time as the two neighboring Protectorates.

In general, it was believed that adequate political measures had been adopted by the French, at least in theory, to permit the Algerians to play an adequate part in the shaping of their own destinies and to acquire a democratic political education. At the same time it was thought that the theory has not yet been adequately translated into fact, partially due to French initiative and partly due to the Algerians' own fault in not exercising the rights which they have.

Under the Algerian Statute the Moslem second college elects 60 representatives to the Algerian Assembly. Furthermore they have at least as many registered voters in the first or so-called European college as the Europeans themselves. While the French undoubtedly used coercive methods to influence second college votes, specially in outlying districts, it was also noted that abstentions of registered Moslem voters in the first college were unusually large. This in fact represents a voluntary renunciation of an opportunity to influence the elections, as it is generally accepted that election frauds or coercion are far fewer and more difficult to resort to in the populated and more orderly centers where the bulk of the first college voters is concentrated.

Consequently it was the opinion of the meeting that United States action in Algeria should not include the stressing of political reforms but should instead stress the implementation of the political reforms already instituted.

In addition thereto, it was recommended that the United States follow the policy set forth following the 1947 North African Conference and advocate the adoption of a publicly announced, far-reaching educational, social and economic program which, while not satisfactory to the extreme Arab Nationalist leaders, may so improve the lot of the average Arab as eventually to permit the peaceful cohabitation of Algeria by two essentially different peoples. In this connection it was felt that the approach to the French authorities should follow the lines set forth on page 20 of the 1947 Conference's final paper.

ITEM III OF AGENDA

What will be the effect on French North Africa of the final disposition of Libya based on the possible following solutions?

- (a) Independence of a united Libya.
- (b) Italian trusteeship for Tripolitania and British trusteeship for Cyrenaica.

- (c) British trusteeship for all of Libya (either single mandate or two individual trusteeships for Tripolitania and Cyrenaica).
- (d) Alternative solutions such as United States, Egyptian or Arab League trusteeship.
- (e) The Fezzan—possible French control over area under any or all of above cases (possibly under trusteeship agreement).

In considering Item III of the Agenda: "What will be the [comparative] effect on French North Africa of the final disposition of Libya, based on the possible following solutions?", it was decided to agree first on the probable reactions of the French on the one hand and of the Nationalist Moslem leaders on the other, vis-à-vis the various possibilities prescribed in the Agenda.

It was unanimously agreed that the French would oppose the various solutions in the following decreasing order: (1) independence of a united Libya; (2) Egyptian or Arab League trusteeship; (3) United States trusteeship; (4) British trusteeship for all of Libya; (5) or, in other words, the solution which it was believed the French would prefer, Italian trusteeship for Tripolitania and British trusteeship for Cyrenaica.

The meeting then proceeded with appraising the effect on Moslem Nationalist opinion, and it was unanimously agreed that they would oppose the various solutions in the following decreasing order: (1) Italian trusteeship for Tripolitania and British trusteeship for Cyrenaica; (2) British trusteeship for all of Libya; (3) United States trusteeship; (4) Egyptian or Arab League trusteeship; (5) or the solution which would be preferred, independence of a united Libya.

It will be observed that French and Nationalist Moslem reactions were estimated to be exactly contradictory.

The Conference then proceeded with its own estimation of the complications likely to result in North Africa from the various solutions and establish its own order of precedence.

While there were differences in opinion as to which solution would result in the gravest complications, it was agreed that either solution (a) "Independence of a united Libya", or the first part of (b) "Italian trusteeship for Tripolitania", would have the most disturbing effect on French North Africa.

With reference to (a) "Independence of a united Libya", it was felt that the granting of this advanced status to a relatively backward North Africa area would cause immediate and widespread Moslem general resentment throughout all of French North Africa. While it was not anticipated that this discontent would reach the proportions of large scale outbreaks of violence and even less of a successful revolt, in view of the size and preparedness of French armed forces in the area, it was believed that this bitter dissatisfaction would serve to

maintain agitation for North African full independence at fever pitch and would thus effectively prevent any Franco-Moslem spirit of co-operation essential for the success of the evolutionary program recommended by the Conference.

As to the solution including Italian trusteeship for Tripolitania, the Conference, from all the information submitted to it, fully concurs with the information at the Department's disposal, to the effect that "a majority of Tripolitanians will oppose the return of Italian administration with all means at their disposal." Notwithstanding the fact that the present Italian Government would presumably be willing to make every effort to live up to its obligations as trustee towards Tripolitania and that the terms of trusteeship could in any event stipulate as a condition of acceptance the establishment of a new and progressive Italian colonial administration, Arab feeling is so strong against Italian administration that it would probably not permit the peaceful reestablishment of Italian authority, be it even in the form of a trusteeship over any part of Libya. Thus it was believed most likely that uprisings would break out in Libya in such a contingency. The Conference did not think the effect of such a revolt would have immediate widespread repercussions in French North Africa even though it felt that local disturbances in Tunisia, although unlikely, cannot be entirely discounted. It did feel, though, that Italian presence in a part of Libya would antagonize Arabs throughout the entire North Africa area, the Moslems not only manifesting varying degrees of sympathy to their Libyan brothers (to whom it should be noted they are not particularly closely attached by traditional or economic bonds) but essentially would view this decision as proof positive of reactionary intentions, and would discourage them from possibly accepting to cooperate with the French and would make these Moslems turn increasingly towards Egypt or the Arab League as their sole sources of support.

The Conference then ranked solution (*d*): "Egyptian or Arab League trusteeship." In this connection it was felt that to some extent the factors of discontent mentioned in connection with "independence of a united Libya" would come into play, in that the Moslems of French North Africa would envy the closer ties with the Arab world granted to their relatively backward Eastern neighbors. In addition it was the sense of the meeting that economic difficulties as well as administrative complications would be certain to arise, as neither Egypt nor the Arab League countries were felt to be capable or sufficiently strong economically to undertake the guardianship over this economically weak area. In this connection it was pointed out that Egyptian agitation for trusteeship over Libya did not represent a

serious desire to assume these responsibilities but was primarily intended to oppose the return of any European power—Italy in particular—to any part of Libya.

With regard to United States trusteeship, the Conference agreed that this would probably be preferred by the Arabs to any European trusteeship but that we should hesitate to undertake it because of the invidious comparisons the French can be expected to make of any trusteeship, with their own long-established régimes in North Africa and because of the likelihood of our régime becoming the scapegoat of malevolent criticism, no matter how well intentioned and applied, if unsuccessful in conciliating the conflicting Arab and other interests. Regarding the French reactions thereto, it was believed that on the one hand the French would very probably be opposed, as they would realize that we would faithfully comply with our trusteeship undertakings, do our best in fact to prepare the populations for self-government, and withdraw our administration upon a specified date. It is always possible, of course, that the international situation or strategic considerations might render postponement unavoidable. On the other hand it was believed that the French might perhaps view with some satisfaction the United States being compelled to grapple concretely with native and Moslem problems which they believe we view in a somewhat dilettante and abstract fashion.

Viewed purely in terms of effect on French North Africa the best solution with regard to the Arabs and possibly also the French, was felt to be (c): "British trusteeship for all of Libya, with two individual trusteeships for Tripolitania and Cyrenaica." It was felt that the liberal policies followed by Great Britain in India, Burma, Ceylon and even in Nigeria, the Gold Coast and elsewhere in Black Africa, would serve to temper Nationalist disappointment throughout French North Africa that a European trusteeship had been decided. It was believed that this solution would not arouse resentment in French North Africa to the extent of civil disturbance. It would provide indirect but very worth while advantages. For example, it was felt that the British would, like ourselves, adopt an evolutionary plan towards self-government but that at the same time they would be better fitted than the United States to provide a corps of administrators for the interim period and thus to discharge themselves of their practical administrative responsibilities. Such British action in neighboring Tripolitania could have only a healthy effect on French policy in North Africa and serve to spur them on with their avowed intentions to lead Morocco and Tunisia towards "full autonomy."

The Conference recognized that British trusteeship for all of Libya, including the Fezzan as discussed in the following section, would

provide practical advantages for United States strategic interests in Libya as regards such questions as military bases and common defense. These strategic interests of course would have to be reviewed within a larger framework than the terms of the Agenda. During such review a major consideration would of course be the maintenance of European stability in the face of Soviet aggressive policy.

The Fezzan

It was unanimously agreed that the French appear to be fully resolved to maintain their present *de facto* occupation indefinitely. Numerous indices of this intention were supplied by various officers present: the building of the uneconomic and longer road from Ghadames to Sebha, opening of new schools teaching French, generous paternalistic policies in order to conciliate the population, digging of wells, building of dispensaries, etc.

Apart from such known French arguments as the historical claim that the Fezzan was oriented towards Central Africa rather than towards the Coast, or that the population of the Ghat district was of Tuareg stock and therefore more closely related to the Tuaregs of the Algerian southern territories, the meeting believed that the dominant factor was French determination to maintain its control over that part of Libya which was "liberated" by the French forces of General Leclerc. While the element of prestige involved was felt to be of real importance, particularly at a time when French administration is under fire throughout North Africa, it was also believed that the possibility of oil and other mineral wealth being found in this region was not entirely foreign to France's position as well as possibilities of strategic airfields on the Madagascar route. The Conference unanimously felt that as long as trusteeship under any foreign power would be the solution advocated or adopted in Libya, the French would maintain with determination their claim for control of the Fezzan, and that the legal form of this control would be secondary in French eyes.

The Conference noted the economic ties binding the Fezzan proper to Tripolitania and recommended that should the French claims to the area be accepted in any form, the traditional economy of the area be respected. It was also felt that the only solution which might lead to the departure of the French from the Fezzan would be independence for a united Libya, a solution which of course they could be expected to contest energetically.

It was accepted that should the French continue in possession of the Fezzan in one form or another, Moslem dissatisfaction varying in degrees of intensity, would result throughout French North Africa. It was believed that this dissatisfaction would stem from Moslem dis-

appointment over the increase in France's North African interests at the very time when vocal Nationalist elements are striving to reduce them. It was also feared that these Moslems might view United States approval of any form of French control over the Fezzan as evidence that we are not sincere in any liberal statements concerning North Africa which we may be called upon to make in our approach to the Arabs under the policy recommended in sections I and II.

Viewed only in terms of the effect on French North Africa, it was felt that, should it be necessary for the United States to take a position, the best solution with regard to the Arabs and possibly also the French, would be to support limited boundary rectifications on the basis of tribal areas, and that at the same time the United States should oppose any trusteeship or other form of French control over the entire Fezzan, the balance of which should be returned to Tripolitania. It was felt that these partial boundary rectifications should receive careful consideration from a body more competent to deal with this problem than is this Conference.

ITEM IV OF AGENDA

- (a) What steps should France take to minimize to greatest extent possible the political effects on French North Africa of the preceding possible formulae for the final fate of Libya?
- (b) What steps will she probably take?

The Conference believed that under any of the possible solutions for the disposal of Libya, with the possible exception of (b) which embodies Italian trusteeship for Tripolitania, aspirations and agitation for full internal autonomy and/or so-called independence, will be increased to varying degrees (to the greatest extent, of course, in the case of independence of a united Libya, but also under any of the other trusteeship arrangements which will certainly embody evolutionary programs and terminal dates for the trusteeships). Consequently, it was unanimously agreed that in order to minimize these political effects, the French should actively prepare and rapidly institute a program of evolution acceptable to the United States along the lines recommended above. In particular, France should be careful to adapt her programs for the three North African entities so that these will not compare unfavorably with the trusteeship conditions which will be established for Libya in whole or in part.

Turning to: "What steps France will probably take", the Conference does not dismiss the possibility that the combined efforts of the Department, the North African posts and of the Embassy at Paris, may succeed in influencing France so that she will follow the policy thought to be advisable and described in the preceding paragraph. However, the French record to date of doing too little and too late in her overseas

territories (excepting in French West Africa and French Equatorial Africa where, on the contrary, she may be adopting political reforms over and beyond the natives' receptive ability) makes the Conference fear that instead of keeping abreast of developments in Libya, she will again lag behind and thus not succeed in neutralizing the disturbing political effects of any one of the trusteeship formulae for Libya (excepting the Italian for Tripolitania).

ITEM V OF AGENDA

More and more indications have been received that North African Nationalists will make serious attempt this year, supported by Arab League, to present North African case, in toto or in part, to the United Nations General Assembly.

- (a) Probability of above?
- (b) How will case be prepared and presented?
- (c) What will be France's position?
- (d) What should be the position of the U.S.?

It was felt that the Arab League, absorbed by the problem of Palestine, having suffered reverses and having lost some cohesion thereby, will probably not be able to prepare and present a North African case at the September 1948 General Assembly Session. The Conference agreed, however, that this probable delay is accidental in nature and should not be interpreted as an indication of any lessening of the long-term Arab League interest in the North African situation, nor of any lessening in the determination of the North African political leaders to bring their case to the United Nations through a member state of the Arab League. On the contrary, it was felt that perhaps in need of regaining prestige after disposal of the Palestine affair and of finding a popular platform likely to unite Arab opinion and thus strengthen its position throughout the Arab world, the League will then turn to the North African problem with greater interest than shown heretofore.

Because of Azzam Pasha's (Secretary-General of the Arab League) personal interest in Libya, the Conference was inclined to believe that the Arab League might introduce the issue of Libya separately and prior to any proposal dealing with French North Africa in part or in toto. The Libyan issue, it was felt, could be placed on the Agenda through the provisions of the Peace Treaty with Italy.

The Conference was of the opinion that as matters now stand, Irak or Syria might well be the Arab country to introduce any resolution pertaining to any part of North Africa.

While thus of the opinion that probably the French North African situation or any part thereof would not officially be considered by the

General Assembly, it was unanimously agreed that one or, more probably, several unofficial attempts will be made by various North African Nationalist leaders to bring their local situations to the attention of the United Nations delegates at Paris. This unofficial activity was expected to be extensive in view of the proximity of the seat of this General Assembly session, and the relative ease with which North African Nationalist leaders may be expected to travel thereto.

With reference to the manner in which the North African case will be eventually prepared for submission to the General Assembly, the Conference expressed the belief that while the case may be prepared to some extent in a statesmanlike fashion, due to the influence of Azzam Pasha and of the more experienced Arab League leaders, the case as submitted will probably include lengthy demagogic indictments of France's record in North Africa with numerous exaggerations. The latter assumption is based on the contents and tone of the various memoranda which have already been prepared in Tunisia and Morocco and on their past oral presentations of their case.

In view of the little likelihood of debate occurring in the General Assembly in September, the Conference did not feel it necessary to study at length the position which France will take when faced with the North African problem before the United Nations. In brief, the Conference assumed that France will develop at great length the concrete benefits—hygiene, railroads, roads, harbors, land development, etc.—which she has brought to the area; that she will stress such things as the universal right to vote in Algeria; that she will point up the hunger, poverty and even famine which might follow her withdrawal unless remedied by extensive relief shipments from abroad. Finally, she would certainly emphasize the reforms which she describes herself as anxious to introduce in Morocco and Tunisia, and place great emphasis on the alleged obstructionist tactics of “undemocratic” Nationalist leaders.

The Conference then unanimously agreed, in view of the preceding, that it was still premature to attempt to determine the position of the United States in such a contingency and that the United States position when adopted would have to be largely based on the implementation of an acceptable program of evolution by the French during the intervening period. It was also agreed that international and strategic conditions obtaining at the time of the introduction of the North African situation before the General Assembly might greatly influence the American position, depending on the relative importance at that particular time of the maintenance of public order in North Africa, when compared to our traditional sympathy with the aspirations of dependent peoples for self-rule.

ITEM VI OF AGENDA

Communist activities and objectives in French North Africa. Their relationship with policies and aims in France proper and elsewhere in the French Union. (Item suggested by Mr. Packer.)

In considering Communist activities in French North Africa, the unswerving Communist determination to attain a long-established ultimate goal, regardless of wide and frequent tactical variations, was noted by the Conference.

It was felt that the definition of Communist policy presented last year in connection with Morocco holds true today as it did then for all of North Africa :

"The Conference has grounds to believe, however, that the Communists are striving to achieve the 'independence of Morocco' and will support the various Nationalist elements, regardless of social policy and notwithstanding any and all rebuffs which they may receive from these quarters.

"In so doing, the Conference is convinced that the Communists are thus following to the letter the first part of their oft-announced revolutionary program for colonial areas—bringing about the nationalist-bourgeois revolution—and can be expected to complete this program as soon as possible with the second step—the Socialist revolution—upon the completion of the essential first stage."

It was the sense of the meeting that the past year was one of many rebuffs received from Nationalist leaders throughout the area but that Communist resolution to continue supporting the various Nationalist elements remains unaffected, even though for the immediate present it was felt that the Communists were somewhat at a loss to decide on the most advantageous tack to sail.

The Conference believed that "independence within the French Union", used in Algeria, less in Morocco, and to an even lesser extent in Tunisia, is the greatest deterrent to Nationalist acceptance of the repeated Communist offers of alliance. It was accepted, however, that this clause is principally intended for Communist propaganda purposes in Metropolitan France where the national psychology makes it specially necessary for the Communist party to masquerade under patriotic colors. (In Morocco it was felt the clause is also intended to placate the French authorities.) Consequently it was believed that this clause—stressed particularly in the case of Algeria because of the century-old presence of France in that part of North Africa—is in fact meaningless and could conceivably in the long run be recognized as such by Moslem Nationalist leaders.

Another deterrent to the rapid growth of the Communist party as such in North Africa is the directing part played by Europeans and Jews in the local Communist parties of Morocco, Algeria and Tunisia,

a fact which cannot be concealed from the Moslem Nationalist leaders, and which arouses their anti-European antagonism.

Notwithstanding the superficially reassuring Communist developments in North Africa during the past year, the Conference unanimously agreed that vigilance should not be relaxed, and recognized the constant threat represented by closely knit, active and relentless Communist parties, even though small, in a part of the world politically immature, prone to schisms and not sufficiently aware of the many deceptive shapes and forms of Moscow-directed international Communist activities.

ITEM VII OF AGENDA

Plans and opportunities for OIE work in French North Africa. (Item suggested by Mr. Packer.)

The Conference first accepted as a basic premise that an OIE program constitutes essentially an auxiliary tool for implementing an American policy for North Africa, and that in the absence of such a policy an OIE program substantially loses its "raison d'être." With this basic premise established, the Conference unanimously agreed that as part of the already existing OIE programs beamed on the Arab world, the usefulness of additional broadcasts directed towards North Africa should not be overlooked. In this connection it was pointed out that only a few carefully selected broadcasts should be made in classical Arabic and that most programs should be in Arabic dialects, without omitting the Chleuh tongue spoken exclusively by at least two million Moroccan mountain Berbers.

While it was recognized that the American policy adopted for North Africa would largely govern the composition of the program, it was believed that it would be useful under any circumstances to supply information concerning the United States to North African listeners as well as details concerning the American way of life.

The Conference agreed that the despatch of two public affairs officers with adequate assistants to French North Africa, one to Algiers and one to Tunis, would be eminently desirable to facilitate the implementation of an effective OIE program. Such a program should supplement radio broadcasts with printed material. It was emphasized that this material should be carefully prepared to fit the receptive capacity of the native audience and should be highly pictorial. It was felt that none of our existing magazines fill these specifications and that OIE might consider the publication of a periodical somewhat similar to the *Reader's Digest* but illustrated and with a selection of articles specifically written or chosen for Moslem audiences. Selected

motion pictures should also be shown to the greatest extent possible. This poses of course the question of adequate equipment.

It was recognized that the French Government would probably seek to oppose in some measure on political grounds such a program and base its argumentation, as it did during the war, on the futility of overstressing the Atlantic Charter and the Four Freedoms to an audience not yet ready for self-government, and of overstressing the American standard of living, the highest in the world, in an area which even under ideal conditions cannot aspire to supply these standards for generations to come. While it was the sense of the meeting that such French objections should not be permitted to stand in the way of an OIE program for North Africa, it was also felt that great care should be exercised in the selection of competent and properly qualified personnel and in the preparation of the programs so as not to increase needlessly the above-mentioned forms of discontent, more specially if France adopts a program of evolution acceptable to the United States.

S/S-NSC Files, Lot 63 D 351, NSC 12 Series

*The Director of the Office of Near Eastern and African Affairs
(Henderson) to the Acting Director of the Executive Secretariat
(McWilliams)*

TOP SECRET

[WASHINGTON,] June 11, 1948.

COMMENTS ON A REPORT TO THE NATIONAL SECURITY COUNCIL ON
FRENCH NORTH AFRICA (NSC 12)¹

1. We suggest the following change in the last sentence of paragraph 6 which might more correctly read as follows: "There are indications that President Roosevelt, during the Casablanca Conference of 1943, may personally have encouraged the Sultan, directly or indirectly, to hope for American support in throwing off French control and in preparing Morocco, possibly under a joint US, British and French Protectorate, for independence some years hence."

2. Although the paper is on the subject of French North Africa, which consists of Morocco, Algeria and Tunisia, only Morocco is referred to throughout. Because in general the political situation in Tunisia closely resembles that in French Morocco, it is suggested that the paper might make clear that the policy suggested for French Morocco is equally applicable to Tunisia. Also, although Algeria must be treated differently because of its longer ties with France, the larger

¹ For the text of the Policy Planning Staff paper of March 22 that was circulated as NSC 12, see p. 682.

number of second and third generation French who consider Algeria their homeland, and its juridical status as a part of metropolitan France, it is in many ways an integral part of French North Africa and should be mentioned in that connection.

3. In paragraph 11, the following statements are made: "The United States has never recognized the Spanish Protectorate in Morocco. It is in our interest, however, eventually to establish our position in that territory because of the strategic location of the area and the possibilities it might offer for bases complementary to those in French Morocco." We are inclined to question the implied connection between the recognition of the Spanish Protectorate and the possible need for US bases there. It is possible that the world political situation and the US strategic necessities might some day make it desirable that we obtain bases in Spanish Morocco. It seems to us, however, that that is a matter which should at the appropriate time be considered solely in the light of those two considerations and our current relations with Spain.

4. It might be advisable to make mention of the connection between the political situations in Palestine and French North Africa. North Africa, including French North Africa and Libya, is number two on the Agenda of top political problems of the Arab League. It is believed that the only reason that the Arab League has not to date pressed the case of French North Africa in the United Nations is because of Palestine. It is believed also that at such time as the Palestine situation ceases to occupy the entire attention of the Arab League and ceases to be the main cohesive force of the Arab League, a great deal of attention will be paid to French North Africa by that organization.

5. In connection with sub-paragraph 1 of paragraph 18 in which it is suggested that we might be able to employ the unique treaty position we enjoy in Morocco to bring our views to bear on the French, there is quoted below a recommendation made by the North African Conference held recently in Paris which is pertinent and with which we agree:

"The Conference, as did the Conference of 1947, again unanimously concluded that French administration in Morocco was direct in fact if not in theory and that the Act of Algeciras as well as the Treaty of Fez were thus effectively violated. However, the Conference did not feel that it would be advisable to use this legal argument as a threat to influence French policy at the present time. Indeed it was believed that should this rather far-reaching position be adopted today, the United States would probably have to retreat, as for strategic and other reasons of paramount national interest it was thought that nothing would be done which could endanger public order and political stability of Morocco. Consequently it was felt that it would be ill-

advised to blunt this argument by premature and ineffective use. Instead it was unanimously recommended that this recognized violation of the Treaty of Fez be kept in reserve for use as an argument with the French Government at such a time as the United States might feel compelled to intervene directly and energetically in Moroccan affairs. At that time the continued violation of the Treaty of Fez and the resulting encroachment upon American rights should be forcefully brought to the attention of the French because it is believed that continued acquiescence to these violations by the United States will make it progressively more difficult for the United States to defend or recover its established Treaty rights."

We suggest the following wording for sub-paragraph 2 of paragraph 18: "Consideration of the replacement of our extraterritorial rights in Morocco in due course by a treaty with the French which would guarantee American nationals the same treatment accorded to French nationals or any other non-Moroccan nationals." This suggestion is based primarily on the following two considerations: (a) The term "national treatment" is ambiguous as it is not clear whether the "national" referred to are French or Moroccan; and (b) we do not believe that we should ask that the same treatment be accorded American nationals as accorded the subjects of the Sultan.

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING ASSISTANCE TO THE PEOPLE OF FRANCE UNDER PUBLIC LAW 389-80TH CONGRESS

[For text of Agreement, signed at Paris January 2, 1948, see Department of State, Treaties and Other International Acts Series No. 1690.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING MILITARY OBLIGATIONS OF CERTAIN PERSONS HAVING DUAL NATIONALITY

[For text of Agreement, effected by exchange of notes signed at Paris February 25, 1948, see Department of State, Treaties and Other International Acts Series No. 1756.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80TH CONGRESS

[For text of Agreement, signed at Paris June 28, 1948, see Department of State, Treaties and Other International Acts Series No. 1783.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING APPLICATION OF MOST-FAVORED-NATION TREATMENT TO AREAS UNDER OCCUPATION OR CONTROL

[For text of Agreement, effected by exchange of notes signed at Paris June 28, 1948, see Department of State, Treaties and Other International Acts Series No. 1823.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING DISTRIBUTION AND EXHIBITION OF AMERICAN MOTION PICTURE FILMS IN THE FRENCH UNION

[For text of Agreement, signed at Paris September 16, 1948, see Department of State, Treaties and Other International Acts Series No. 1841.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING FREE ENTRY AND FREE INLAND TRANSPORTATION OF RELIEF SUPPLIES AND PACKAGES FOR FRANCE

[For text of Agreement, signed at Paris December 23, 1948, see Department of State, Treaties and Other International Acts Series No. 1873, or 62 Stat. (pt. 3) 3587.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING MILITARY OBLIGATIONS OF CERTAIN PERSONS HAVING DUAL NATIONALITY

[For text of Agreement, effected by exchange of notes signed at Paris December 22, 1948, see Department of State, Treaties and Other International Acts Series No. 1876, or 62 Stat. (pt. 3) 3621.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING A UNITED STATES EDUCATIONAL COMMISSION IN FRANCE

[For text of Agreement, signed at Paris October 22, 1948, see Department of State, Treaties and Other International Acts Series No. 1877, or 62 Stat. (pt. 3) 3625.]

AGREEMENTS BETWEEN THE UNITED STATES AND FRANCE RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80th CONGRESS, AMENDING THE AGREEMENT OF JUNE 28, 1948

[For texts of Agreements, effected by exchange of notes dated at Paris September 21 and October 8, 1948, and exchange of notes signed

at Paris November 17 and 20, 1948, see Department of State, Treaties and Other International Acts Series No. 1897, or 62 Stat. (pt. 3) 3720.]

AGREEMENT BETWEEN THE UNITED STATES AND FRANCE RESPECTING A MUTUAL AID SETTLEMENT

[For texts of Agreements, effected by exchange of notes dated at Washington February 27, 1948, see Department of State, Treaties and Other International Acts Series No. 1930, or 62 Stat. (pt. 3) 3826.]

CONVENTION AND SUPPLEMENTARY PROTOCOL BETWEEN THE UNITED STATES AND FRANCE RESPECTING DOUBLE TAXATION

[For texts of Convention and Protocol, signed respectively at Paris October 18, 1946, and at Washington May 17, 1948, see Department of State, Treaties and Other International Acts Series No. 1982. Ratifications were exchanged at Washington October 17, 1949, and the Convention and Protocol were proclaimed by the President of the United States October 27, 1949.]

GERMANY

(See volume II.)

GREECE

(See volume IV, pages 1-278.)

ICELAND

POSITION OF THE UNITED STATES WITH RESPECT TO NORTH ATLANTIC SECURITY INTERESTS IN ICELAND

859A.7962/8-1848

The Minister in Iceland (Butrick) to the Director of the Office of European Affairs (Hickerson)

SECRET

REYKJAVIK, August 18, 1948.

DEAR MR. HICKERSON: The Minister for Foreign Affairs of Iceland, Mr. Bjarni Benediktsson, called me to his office late today to make arrangements for beginning the discussions leading to a settlement of numerous outstanding matters growing out of the Agreement of October 7, 1946,¹ in regard to the Keflavik Airport. These matters were discussed by me with representatives of the State and National Defense Departments during my recent period of consultation in the Department. We will begin the informal discussions next week and hope to have all matters decided before the Althing meets early in October.

I brought up with the Minister the question of Communist activities in Reykjavik in an endeavor to ascertain whether the Government or the coalition parties forming it had any definite plans to combat a Communist *coup d'état*. The Foreign Minister discussed this in some detail, the sum and substance being that frequent discussions had been held and certain plans had been made, but that no effective counter measures had been devised.

The question of Keflavik then came up, and there was a lengthy discussion in which I participated mostly by listening. The essence of it is this: That the Icelandic party, consisting of Minister Thor Thors, the then Minister of Justice and Social Affairs, Finnur Jonsson, and Mr. Benediktsson, then Mayor of Reykjavik, which attended the meal at the Blair-Lee House in 1946, considered the discussion an informal one and did not at that time report it to their Government. The Foreign Minister stated that not only the Communists but many other Ice-

¹ Agreement between the United States and Iceland respecting the termination of the defense agreement of July 1, 1941, and provision for the interim use of Keflavik airport. For text of Agreement, effected by exchange of notes signed at Reykjavik October 7, 1946, see Department of State, Treaties and Other International Acts Series No. 1566, or 61 Stat. (pt. 3) 2426.

landers believe that Iceland would be better off without the Airport; that they would be safer from attack, which the airfield invites, and would still enjoy the protection of the British and American fleets. However that might be, he added, the fact is that the Airport exists. However, its use as a military base in case of war is not covered by the Agreement and would require negotiations with the Icelandic Government. I stated that if war were to break out there probably would be no time for negotiation, and it might result in a race to see who arrived at the Airport first. He said that he had given this matter considerable thought, and he felt that in time of crisis the United States would find it convenient to have sufficient planes and even soldiers lay over at Keflavik, to make certain that it could fulfill its obligations to maintain control agencies in Germany (paragraph 4 of Agreement). He also added that he did not believe the United States could countenance a regime in Iceland which came into power by force and would be a menace to the Airport in carrying out the obligations above mentioned. The Foreign Minister stated that he was glad I had brought up this subject and that, in fact, he had on several occasions been at the point of bringing it up himself. I replied with laughter that I had not brought up the subject, and that I was under the impression that he had brought it up. He laughed and replied, "Well, let us say 'it came up in the conversation.' "

I made no effort to press the Minister for details, but in view of the fact that he had for some time contemplated discussing this subject, I must conclude that it represents the opinion of his Government.

The tentative agenda for the discussions regarding the matters to be solved in connection with the operation of the Airport Agreement is attached.² Mr. Cunningham³ is familiar with our Washington discussions. I intend to adhere to the agenda. However, I would appreciate learning from you whether you desire, in the light of the information contained in this letter, that other matters should be brought into the discussions; also, whether you wish to formalize Mr. Benediktsson's statements either by confirming them here or through the Icelandic Minister in Washington. I am of the opinion that we should let the matter rest, except as may be necessary for the Department to alert the armed forces and make preparations for the "negotiations", if necessity requires them.

Sincerely yours,

RICHARD BUTRICK

² Not printed.

³ Harry F. Cunningham, Jr., of the Division of Northern European Affairs.

859A.7962/8-1848

The Secretary of State to the Secretary of Defense (Forrestal)

SECRET

WASHINGTON, September 10, 1948.

MY DEAR MR. SECRETARY: I enclose a copy of a letter¹ dated August 18, 1948 from the American Minister to Iceland, Mr. Richard P. Butrick.

According to Mr. Butrick's letter, the Icelandic Foreign Minister believes that "in time of crisis the United States would find it convenient to have sufficient planes and even soldiers lay over at Keflavik, to make certain that it could fulfill its obligations to maintain control agencies in Germany" (cf. paragraph 4 of the Iceland Airport Agreement of October 7, 1946).

The Department of State is of the opinion that Foreign Minister Benediktsson's remarks represent a carefully considered hint for the guidance of the United States Government in time of international crisis, and that there is no prospect of obtaining from Iceland a more concrete communication or undertaking at this time.

Comment by the National Military Establishment would be appreciated.²

Sincerely yours,

For the Secretary of State:

CHARLES E. BOHLEN

Counselor

¹ *Supra.*

² In his reply dated October 23, not printed, Forrestal informed the Secretary of State that he had decided to ask the Joint Chiefs of Staff to review the whole problem of future operations in Iceland in the event of an attempted *coup d'état* (859A.7962/10-2348).

AGREEMENT BETWEEN THE UNITED STATES AND ICELAND RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80TH CONGRESS

[For text of Agreement, signed at Reykjavik July 3, 1948, see Department of State, Treaties and Other International Acts Series No. 1787, or 62 Stat. (pt. 2) 2363.]

AGREEMENT BETWEEN THE UNITED STATES AND ICELAND RESPECTING THE APPLICATION OF MOST-FAVORED-NATION TREATMENT TO AREAS UNDER OCCUPATION OR CONTROL

[For text of Agreement, effected by exchange of notes signed at Reykjavik July 3, 1948, see Department of State, Treaties and Other International Acts Series No. 1827, or 62 Stat. (pt. 3) 2903.]

IRELAND

AGREEMENT BETWEEN THE UNITED STATES AND IRELAND RESPECT- ING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80TH CONGRESS

[For text of Agreement, signed at Dublin June 28, 1948, see Department of State, Treaties and Other International Acts Series No. 1788.]

AGREEMENT BETWEEN THE UNITED STATES AND IRELAND RESPECT- ING APPLICATION OF MOST-FAVORED-NATION TREATMENT TO AREAS UNDER OCCUPATION OR CONTROL

[For text of Agreement, effected by exchange of notes signed at Dublin June 28, 1948, see Department of State, Treaties and Other International Acts Series No. 1828, or 62 Stat. (pt. 3) 2910.]

723

ITALY

CONCERN OF THE UNITED STATES FOR THE SAFEGUARDING OF THE TERRITORIAL INTEGRITY AND INTERNAL SECURITY OF ITALY¹

Executive Secretariat Files

*Report by the National Security Council*²

TOP SECRET
NSC 1/1

[WASHINGTON,] November 14, 1947.

THE POSITION OF THE UNITED STATES WITH RESPECT TO ITALY

THE PROBLEM

1. To assess and appraise the position of the United States with respect to Italy, taking into consideration the security interests of the United States in the Mediterranean and Near East areas.

ANALYSIS

[Here follow five paragraphs similar in substance to the sections entitled "Facts Bearing on the Problem" and "Discussion" in the memorandum by the Policy Planning Staff, Department of State, September 24, 1947, printed in *Foreign Relations*, 1947, volume III, pp. 976-981.]

CONCLUSIONS

7. The United States has security interests of primary importance in Italy and the measures to implement our current policies to safeguard those interests should be strengthened without delay.

8. The United States should:

a. Give full support to the present Italian Government and to equally satisfactory successive governments by means of measures such as the following:

¹ For previous documentation on related matters, see *Foreign Relations*, 1947, vol. III, pp. 861 ff.

² A transmittal note by Sidney W. Souers, Executive Secretary of the National Security Council, to the members of the Council (the President; the Secretaries of State, Defense, the Army, the Navy, and the Air Force; and the Chairman of the National Security Resources Board) indicated that the report would be submitted to the President by the Secretary of State, with a notation that the section entitled "Conclusions" constituted an expression of the Council's advice to the President.

(1) Shipment of wheat and other essential commodities under the pending interim program of aid to Europe, in order to maintain the current bread ration.

(2) Additional dollar credits.

(3) Further assistance to the Italian armed forces in the form of technical advice to increase their capacity to deal with threats to Italian internal security and territorial integrity.

(4) Gift to the Italian Government of the sunken ships off the Italian coast, now under control of the US Maritime Commission, in order to furnish a valuable supply of scrap material.

(5) Directive to Foreign Liquidation Commission to transfer, "in the national interests", to the Italian armed forces under the Taff-del Vecchio agreement certain non-combat equipment essential to the proper function of the Italian armed forces.

b. Extend economic aid to Italy by means of favorable US foreign trade policies.

c. Press for the relaxation of unduly onerous terms in the Italian Peace Treaty, and meanwhile interpret these terms liberally.

d. Continue to support acceptance of Italy as a member of UN.

e. Actively combat Communist propaganda in Italy by an effective US information program and by all other practicable means. . . .

f. Vigorously seek through diplomatic channels to bring about a more favorable attitude toward Italy on the part of the British and French Governments and to enlist their active support of our aims.

g. Draw any violations of the Peace Treaty to the immediate attention of the UN, and support Italy before the UN in the event that Yugoslavia attempts to seize Italian border territory.

h. Urgently adopt and effectively implement a long-range program for the rehabilitation of Europe.

9. The Italian situation should be discussed during the planned conversations with the British, in order to keep them informed of our policies and to seek their support of our plans.

10. In the event that the situation in Italy develops in such a way that it becomes impossible for the Italian Government to carry out terms of the Italian Peace Treaty, the United States should take the position that a treaty is a contract binding upon all parties thereto, and that unless all parties are in a position to carry out the contract the treaty ceases to be binding upon any of the signatories. The United States then should announce that it must reconsider its position with respect to the terms of the Italian Peace Treaty in the light of the new situation.

11. The United States should not use US armed force in a civil conflict of an internal nature in Italy.

12. In the event that a Communist-dominated Government is set up in all or part of Italy by civil war or illegal means, the United States should continue to recognize the legal government and actively assist it. Such Communist aggression in Italy should immediately be

countered by steps to extend the strategic disposition of United States armed forces in Italy and other parts of the Mediterranean area. A specific plan should include the following measures:

a. The Italian Government should inform the Ambassadors of the US, UK, France and the USSR in Rome (with the request that they notify the other signatories of the Italian Peace Treaty) that it is no longer able to maintain effective authority throughout Italy and that it consequently cannot accept responsibility for the execution of the terms of the Peace Treaty.

b. The United States should immediately and publicly express concern over the fact that disorder has broken out in Italy so soon after the entry into effect of the Peace Treaty and should notify the Italian Government and the UN that, in the light of the new situation, the United States must reconsider its position with respect to the terms of the Treaty.

c. The Italian Government should inform the US Government that in view of its inability to carry out the terms of the Peace Treaty it will take action within the limits of its ability to cooperate with the US under the changed situation. The US should then inform the Italian Government that it will require additional military facilities for the time being. Upon agreement with the Italian Government, the US should utilize selected naval and air bases in Italy. In order to accomplish preparations for such use of Italian air bases, steps should be taken at an appropriate time to have the Italian Government make available such facilities to the US for training flights of US air units.

d. The United States should announce the suspension of aid to Communist-dominated areas of Italy under the US relief program, at the same time making it clear that this aid will be continued for areas under the jurisdiction of the Italian Government.

e. If Communists seize control of all or part of Italy prior to December 15, 1947, the US should suspend withdrawal of its troops from Italy pending a consideration of the status of the Peace Treaty and of the US military situation at that time.

13. In the event that the elections in March 1948 should result in the establishment of a Communist Government in Italy, reconsideration of US policy with respect to Italy would be necessary. With that end in view, the present report should be revised not less than 45 days before the elections in the light of the political situation existing at that time.³

³ A memorandum of November 14 by Sidney W. Souers, executive secretary of the National Security Council, not printed, transmitted the report to the Secretary of State with the notation that the section entitled "Conclusions", (i.e., paragraphs 7-13), constituted an expression of the Council's advice to the President. The memorandum bears the handwritten notation: "ack'd—Report fwd to President 11/18/47 SE Wlalterl C. D[owling] SMW". (865.00/11-1447)

A memorandum for the executive secretary of the National Security Council, drafted November 18, signed November 20 by Under Secretary of State Lovett, not printed, records: "I have today submitted to the President for his approval the Report by the National Security Council on 'The Position of the United States with Respect to Italy' (NSC 1/1)." (865.00/11-1447)

NSC 1/1 was approved by the President on November 24.

865.00/11-2847

*Memorandum by the Acting Director of the Office of European Affairs
(Reber) to the Acting Secretary of State*

TOP SECRET

[WASHINGTON,] November 28, 1947.

Subject: Present Italian Situation; Implementation of NSC 1/1
"The Position of the United States with Respect to Italy."¹

Discussion

1. Preparation of the National Security Council's report on Italy (NSC 1/1) was undertaken at the initiative of the State Department because of a possibility that the Communists might attempt to seize power in that country by extra-legal means in advance of the March elections. During preparation of the report the Italian Communist Party was defeated in its move to overthrow the present Italian Government by parliamentary means. Subsequently, they have turned to more direct measures and are now engaged in an attempt to undermine the Government by agitation, strikes and violence.

2. During the past three weeks the Communists have instigated intermittent work stoppages and disorders throughout all of Italy. Communist-led strikers have raided and wrecked rightist party headquarters and newspaper plants. In a number of instances they have laid siege to prefectures and police stations and have attacked prisons, seeking to release comrades arrested during the disorders. In other incidents political opponents of the Communists have been beaten or assassinated. Altogether some 21 persons have been killed in the past three weeks, with several hundred wounded. After several days of relative quiet, renewed incidents were reported this week, culminating in Communist-Socialist seizure of the Milan prefecture during a general strike in that city on November 28.

The present Communist move may be designed primarily to "soften up" the situation in preparation for a real test at a later date, immediately prior to or during the electoral period in March. In fact, if the Communists could obtain participation in the government at this time, there seems no doubt that they would be content for the moment. It appears most unlikely that they can achieve this participation, however, and there are some indications that the present move is in fact the first, or preparatory, stage of an all-out effort to seize power by any possible means. Embassy Paris reports in its 4951 of November 18² a very reliable informant as saying it has now been decided in Moscow that the main efforts of the Cominform will be directed against Italy. The present situation is characterized as the "pre-revolutionary

¹ *Supra.*

² Not printed.

stage", and the Communists are said to believe that with a mixture of legal and illegal action they can come into power within the next two or three months. Frankfort's 448, November 19,³ gives details of an alleged Communist plan for the seizure of Northern Italy, the general scheme of which has been reported from other sources, according to which Communist military action is to be undertaken the latter part of November. Rome's 3723, November 18,³ regarding the work of the Four Power Naval Commission, reflects the care which the Soviet representative seems to be taking to prevent unfavorable publicity in Italy for the Soviet Union at this time as well as a seemingly high degree of confidence on his part in eventual Communist control of Italy. A CIA interview on November 17 with the Chief of the Italian Public Security Police shows that the Italian Government itself anticipates serious developments in the near future. The Chief of Police is said to be confident that the internal security situation can be controlled if no direct aid is forthcoming from the Yugoslavs; it is his opinion, however, that the Communists will attempt to seize and cut off North Italy to prevent the Government sending reinforcements until such time as direct aid has been received from Yugoslavia.

The De Gasperi Government has shown both patience and firmness in handling the recent series of disorders, and has obviously increased its support both in the Constituent Assembly and among the Italian people. In apparent acknowledgment of this development, the Communists have been attempting through intimidation to reach an understanding with the rightist parties in order to isolate De Gasperi and bring about the formation of a weaker government headed by an "independent" (Rome's 3738, November 20³). The alternative, the Communists have said, is continued disturbances "with no assurance as to ultimate eventualities".

3. In addition to the proposals for action by the US in the event of a Communist seizure of power in Italy, recommendations in NSC 1/1 include measures designed to support the present Italian Government during the critical period of the next few months. If the present Communist move is intended merely to "soften up" the situation, it is believed that these measures, together with the interim aid now before Congress, will give the necessary support to the Italian Government provided they are promptly and effectively implemented.

If, on the other hand, the present move is an all-out effort to over-

³ Not printed.

throw the Italian Government, it seems doubtful that these or any other measures which the US could or would take are of sufficient scope or could be put into effect in sufficient time to improve the situation. The contemplated assistance would not, however, be lost in that event as it would be essential for the continued survival of the Italian Government. It must be concluded, therefore, that we should use all available means to support the present Italian Government and at the same time be prepared to move at once should the Communist bid for power succeed in spite of our efforts.

Recommendations

Since NSC 1/1 has now been approved by the President, it is recommended that the measures set forth therein be immediately communicated to all interested departments and agencies of this Government with the request that every effort be made to implement them without delay.

It is further recommended that the Departments of the Army, Navy and Air Force be advised that in our opinion developments in the Italian situation may shortly require implementation of the measures envisaged in paragraph 12 of NSC 1/1, and that it would therefore be prudent to plan accordingly. (Draft letter to the Secretary of National Defense, attached for signature.⁴)

⁴ The letter, not printed, went forward on December 1. It referred to paragraph 12 of NSC 1/1 and suggested that: "It would, therefore, be prudent that the appropriate plans be made at an early date." (865.00/12-147)

740.00119 Control (Italy)/11-2847

The Acting Secretary of State to the Secretary of the Army (Royall)

TOP SECRET

WASHINGTON, November 28, 1947.

MY DEAR MR. SECRETARY: As you know, the President has today approved the request of Premier De Gasperi of Italy for a delay in the departure of United States forces in Italy until December 14.¹ Accordingly, it would be appreciated if appropriate instructions could be sent by the Department of the Army to the Commanding General, United States Forces, Italy.²

Sincerely yours,

ROBERT A. LOVETT

¹ No record of this request has been found.

² The Acting Secretary's niact 2473, November 28 to Ambassador Dunn, not printed, refers to "your message to the Secretary concerning De Gasperi's request" and informed the Ambassador that the Army was issuing appropriate instructions in compliance with the request (811.2365/11-2847).

811.2365/11-2847 : Telegram

The Acting Secretary of State to the Embassy in Italy

TOP SECRET

WASHINGTON, November 29, 1947—2 p. m.

US URGENT NIACT

2482. For the Ambassador. Decision set forth Deptel 2473 Nov 28¹ taken on basis National Security Council recommendations approved by President² for support Ital Govt during next few crucial months, copy of which being sent you by courier. Upon receipt please cable your comments or suggestions soonest.

In informing De Gasperi above decision, you shd say this action may possibly result in few days' delay troop withdrawal beyond treaty date, owing logistic difficulties, and we expect therefore Ital Govt will accept this notification as justification thereof if delay materializes.

You shd add that while we have been glad comply with De Gasperi's request in this instance, we are wondering what contingencies he envisages after Dec 15 (ref Willems msg from London³) and what Ital Govt's plans may be for coping with situation.

LOVETT

¹ See footnote 2, p. 729.

² See p. 724, and footnote 3.

³ The message from London from Col. John M. Willems, Military Attaché of the Embassy in Italy, has not been identified.

800.48 FRP/11-2447 : Telegram

The Acting Secretary of State to the Embassy in Italy

RESTRICTED

WASHINGTON, December 1, 1947—6 p. m.

2492. 1. Reurtel 3783 Nov 24.¹ Dept tentative interim aid program discussed with Cottam² and made available to Campilli and Ital Embassy here. Congressional developments emphasize highly tentative and conditional character all following data.

2. Present tentative limitation off-shore purchases would not prevent financing essential supplies mentioned reftel.

3. State Dept proposal submitted Nov 26 Congressional Appropriations Committees includes following commodities to be financed under Interim Aid Program covering shipments 1 Jan-30 Apr 48 in total value 211 mil dols. 16 mil reduction from previous 227 mil dols contained Rap 239 Nov 13 chiefly due reduced fats and oils requirement and lumber unavailability.

¹ Not printed.

² Howard Rex Cottam, first secretary in the Embassy at Rome since September 6. Prior to that appointment he had served there as agricultural attaché since April 1946.

a. US Grains 706 to 898 thous tons or 99 to 126 mil dols. Lower figure represents amount which Agri states likely available for shipment during period Jan thru Apr.

b. Possible foodstuffs to partially replace shortfall grains needed maintenance rations to extent not fully met from US, follows in thous tons: Dried eggs 3.6; Mexico pulses 40; soya flour 8; sugar 28; canned fish 10; Mexico canned meat 4. Cost such substitute foodstuffs not to exceed cost grain shortfall.

c. US pulses 18 thous tons or 5 mil dols.

d. US milk products 6 thous tons or 2 mil dols.

e. Surplus dried fruits 11 thous tons or 2 mil dols.

f. US coal 1870 thous tons; Ruhr coal 500 thous tons; total value 46 mil dols.

g. POL 10 mil dols.

h. Phosphate rock 400 thous tons or 5.6 mil dols.

i. Blister copper 15 thous tons or 8.3 mil dols.

j. Chile nitrates 42 thous tons or 2.7 mil dols.

k. Miscellaneous agri supplies one mil dols.

l. Medical supplies 2 mil dols including 280 billion units penicillin, 240 thous grams streptomycin and 320 thous gallons DDT.

4. Other dollar payments to be covered by Italy from its own dollar resources. List of such payments and resources during period Dec 1 thru Mar estimated as follows (all figures in mil dols):

A. Dollar Payments

Cereals	25.0
Coal	13.0
Petroleum Supplies	15.0
Cotton and other textile fibers	15.0
Raw materials for chemical industry	10.2
Rubber and carbon black	5.1
Industrial fats and oils	1.3
Hides and Leather	4.0
Ferrous Metals	11.0
Non-Ferrous Metals	9.4
Minerals	1.0
Lumber	4.4
Other Industrial Materials	18.6
Other Foodstuffs	4.0

Total Commodity Requirements	137.0
Invisible Items on Current Account	22.0

Total payments	159.0
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B. Available Dollar Resources

Exports of goods and services	77.0
Export-Import Bank Loans	55.0
Liquidation of blocked assets in US	10.0
Treasury Suspense Account	2.0
P.O.W.'s Trust Fund Account	15.0

Total receipts	159.0
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5. Dept fully appreciates need for intelligent orderly planning Ital Govt but wishes to emphasize highly tentative and conditional character preliminary program outlined under para 3 above.

6. Present plan involves early approval of target program of shipments thru Feb which we are preparing to discuss with Ital Tech Del within next few days.

LOVETT

811.2365/12-347

The Secretary of the Air Force (Symington) to the Secretary of State

TOP SECRET

WASHINGTON, 3 December 1947.

DEAR MR. SECRETARY: Pursuant to request from War Department, the State Department has been negotiating with the Italian Government during the past several months for military transit and landing rights in that country which will permit continuance of necessary military air operations in support of our occupation forces and other foreign commitments.¹ It has been brought to our attention that considerable difficulty is being encountered in securing a workable agreement. It is felt in this connection that a clarification of Air Force minimum requirements and the reasons therefore might be useful to those responsible for the negotiations.

The Air Transport Command is charged with providing air lift to and between the zones of occupation. It is anticipated that scheduled service linking the two zones (Germany and Japan) of occupation will be reestablished in the near future. Experience has proved that such service is necessary for administrative reasons. In addition the Air Force is committed to the maintenance and operation of Dhahran Air Base until April 1949, and this base must be supported almost entirely by air. In addition the Air Transport Command has been directed to furnish air transportation necessary to the Greece and Turkey aid missions. For the safe and efficient operation of these services, the aircraft must continue to be routed through Rome, or a suitable alternate.

As you know, the United States Government is committed for an

¹ In despatch 1922, November 24, 1947, from Rome, not printed, Ambassador Dunn forwarded copies of *Notes Verbales* exchanged between the Embassy and the Italian Foreign Ministry between September 13 and November 20 indicating procedures to be followed by U.S. military personnel from Germany, Austria, and the Free Territory of Trieste proceeding on leave to Italy. The Foreign Ministry hoped to propose a simplified procedure by December 15. (811.2365/11-2447)

indefinite period to the maintenance of a military force in Trieste. Not only must air lift be provided these troops by theater aircraft, but in view of the delicacy of the political situation in that area, provision must be made for any further support that might be required in the event of an emergency. The use of Udine or a suitable alternate without prior clearance is essential.

To support our occupation forces in Germany and Austria and to insure the maintenance of order, it is necessary that we furnish combat aircraft on a replacement or rotation basis. At the present time the theater requirements for VHB aircraft are met by training flights, thus eliminating costly maintenance depots overseas and increasing the proficiency of the crews. To carry out these functions, it may be necessary from time to time for these aircraft to overfly Italy and to make use of the VHB base at Foggia or a suitable alternate. In this connection reference is made to NSC 1/1, paragraph 12c dated November 14, 1947.

The number of landings per month cannot be accurately predicted in view of the changing situation and unforeseeable requirements which may result from the European aid program presently under consideration by Congress. However, scheduled landings presently average approximately fifty per month.

The Department of the Air Force would concur in conclusion of an agreement in principle for reciprocal overflight and landing privileges. It is felt that such an arrangement would protect the Italian Government from the embarrassment of similar requests from other powers. It would be necessary, however, that this agreement be supplemented by an accord between appropriate United States and Italian military authorities which would provide for standard requirements, previously informally communicated to the State Department, and other technical aspects of the operations.

In view of the imminence of military withdrawal from Italy in accordance with the terms of the peace treaty, it is requested that the State Department continue the negotiations now in progress as a matter of urgency. When advised by the State Department that an agreement in principle has been concluded, instructions will be issued by the Department of the Air Force to its representative for negotiation of the supplemental accord under supervision of the Ambassador.

A copy of this letter has been furnished the Secretary of the Navy.

Sincerely yours,

For the Secretary of the Air Force:

C. V. WHITNEY

811.2365/12-247

Memorandum by the Deputy Director of the Office of Near Eastern and African Affairs (Satterthwaite) to the Deputy Director of the Office of European Affairs (Reber)

TOP SECRET

[WASHINGTON,] December 5, 1947.

Subject: Suggestion of Embassy at Rome To Transfer U.S. Troops from Italy to Libya

NEA is concerned about the suggestion made in Rome's Top Secret telegram no. 3891 of December 2, 1947.¹ It is our feeling that the implications of the proposal to transfer American troops to Libya are so grave that the proposal should not be supported. While it is appreciated that the object of the proposal is to have American troops readily available at nearby bases in the event of insurrection in Italy, it is felt that the obstacles to basing American troops in Libya are well-nigh insurmountable.

One of the most important deterrents is the present hostile attitude of the Arabs towards the United States. The current inflammatory situation with respect to Palestine renders any American action which would be interpreted as being anti-Arab or imperialist as being highly undesirable politically. The sudden appearance of United States military forces in Libya, with its predominantly Arab population, would probably be regarded with such hostility by the Arab world that serious consequences might ensue.

Even if such action were politically desirable it would be difficult, if not impossible, to reconcile with the provisions of the Treaty of Peace with Italy the proposal that United States troops share the administration of this former Italian Colony with the British. Paragraph 2 of Article 23 of the Peace Treaty provides that "pending their final disposal, the said possessions shall continue under their present administration." Regardless of whether the British Military Administration of Libya would agree to the stationing of American troops in the area, it seems clear, therefore, that the agreement of the other signatories to the Peace Treaty would be required in order to allow United States forces to participate in the present administration of Libya.

An additional deterrent to the proposed transfer is the fact that the Commission despatched by the Deputies of the Council of Foreign Ministers is now investigating the former Italian Colonies. The presence of American troops in Libya would almost certainly be used by

¹ Not printed: in it Dunn suggested that U.S. troops be stationed in Libya where they could share with the British in the administration of the Italian colonies until a solution for the disposal of the colonies could be found, and where they would be nearby in case of insurrection in Italy (811.2365/12-247).

the local Arab population as grounds for alleging to the Commission that the United States had designs on their territory. Furthermore, their presence in Libya might well give rise to charges throughout the Arab world that they were being stationed there for eventual use in connection with the implementation of the partition of Palestine. In any event, the situation would be exploited with considerable effect by the Soviets to provide ammunition for another propaganda campaign against so-called American imperialism.

The Council of Foreign Ministers will attempt to determine the final disposal of the former Italian Colonies next summer. If the CFM cannot agree on a solution, the matter will be referred to the General Assembly of the United Nations after September 15, 1948, for a recommendation which the Four Powers have pledged themselves in advance to put into effect. The presence of United States military forces in Libya would seriously jeopardize the success of any proposals we might present to the CFM or to the General Assembly on the future status of those former Italian possessions.

For the foregoing reasons, NEA feels that it would be inadvisable to transfer United States troops to Libya.

J[OSEPH] C[HARLES] S[ATTERTHWAITE]

865.24/10-947 : Telegram

The Acting Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, December 5, 1947—6 p. m.

2541. Reurtel 3159 Oct. 9. Non-combat surplus property transferred Ital Army; pursuant Deptel 2842 Nov 29 this material will be transferred Ital Govt under terms Taff-Del Vecchio Agreement without additional charge Ital Govt. OFLC will instruct representative negotiate amendment Taff-Del Vecchio Agreement to provide transfer this material not included original agreement.¹

Transfer this additional material is contribution further US assistance Ital Govt in equipping Ital armed forces. You shd point this out FonOff and reiterate view material not covered original terms Taff-Del Vecchio Agreement. Dept considers shd be no publicity transfer or amendment Agreement.

LOVETT

¹ In a memorandum of December 2, not printed, General Connolly, the Foreign Liquidation Commissioner, was notified that President Truman approved the proposal that "U.S. Army surplus materials of non-combat nature of an approximate value of \$20,000,000 currently the subject of negotiation with the Italian Government be transferred to Italy under the Taff-Del Vecchio Agreement without additional cost to the Italian Government."

The action constituted implementation of the report of the National Security Council. (865.24/12-247)

811.2365/12-547 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, December 5, 1947—11 a. m.

3918. As a result of publication in Italian press of report by United Press that United States Government was considering favorably the sending of a military mission to Italy provided Italian Government made a request therefor, I received a message from Prime Minister, Mr. De Gasperi says that in present state of affairs here it would not be possible for the Italian Government to make a formal demand for military mission. In his opinion this would give to the enemies of the present government grounds for stating that they were alone the defenders of the independence of the country and of the dignity of its armed forces. Furthermore, the sending of a military mission here would be offset by fact that the neighbors in the East would increase their clandestine penetration. Mr. De Gasperi believes that the Italian forces well directed are sufficient to overcome the difficulties that come from within the country. He feels, however, that it is urgent that these forces should receive a strengthening of their arms and equipment. In this connection he is taking steps to have detailed information with regard to the state of armed forces conveyed to me.

On subject of departure of American forces from Italy about December 15, Mr. De Gasperi raises question as to whether the Russian forces are being withdrawn in accordance with corresponding treaties (probably referring to Bulgaria) and whether this would have any effect upon the withdrawal of American troops from Italy. He goes on to say that in any event the United States has a possibility of strengthening its troop contingent in Austria in order to fend off an attack which might be made from the East against Italy and that in addition to maintain a naval squadron in the Mediterranean we might also maintain a reserve of troops in some position in the Mediterranean from which, in case of need, they might quickly be sent into the peninsula. He emphasized above all the importance of strengthening the forces in Austria.

Mr. De Gasperi has been kept in bed for last few days by a sharp attack of rheumatism, but in the meantime has been maintaining communication with me through his confidential private secretary.¹ In addition to having conversation with the military representative this afternoon I expect to see Prime Minister himself within a few days. He has told me that he wishes to speak to me about an idea that he has of the United States making a statement recalling the treaty of peace with Italy and the Charter of the United Nations and reminding the

¹ Paolo Canali.

public of the proper right and duty of intervening whenever the territorial integrity of Italy might be in danger or the democratic anti-totalitarian form of government of the country might be threatened. He is giving further thought to this possible suggestion and wishes to talk to me more precisely about it as soon as he is able to see me.

Because of the political atmosphere here Mr. De Gasperi asks not to have his name mentioned in connection with any of above subjects.

DUNN

800.48 FRP/12-647 : Telegram

The Acting Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, December 6, 1947—11 a. m.

US URGENT

2556. For the Ambassador. As you know, we have been concerned for some time over Ital cereals supply situation. On basis present US availabilities and assumption Argentine shipments will not be increased any appreciable extent, cut in Ital bread and pasta ration appears inevitable; question for debate is when and how much reduction must be made.

While it is anticipated substitute foods will be provided to extent possible under pending interim aid legislation (Deptel 2492 Dec 1) political implications bread ration cut are appreciated, and we feel question shd be discussed with De Gasperi in order minimize repercussions and avoid if possible furnishing issue of high propaganda and political value for extreme left campaign against Ital Govt.

In this connection, it would seem important that before ration is cut, Ital Govt shd have made endeavor to obtain wheat from USSR. In our opinion, it would be preferable for Ital Govt to inquire in Moscow whether 500,000 tons wheat (approximately amount needed beyond present availabilities to maintain ration through June) could be obtained from Sov Union and if so upon what terms. This approach shd be announced by Ital Govt immediately, and could then be followed up by US inquiry at Moscow, in which it could be pointed out US is supplying large part Ital cereal requirements without payment¹ and hope expressed Sov Govt might do likewise. US approach would also be given appropriate publicity.

It seems most likely Sov Govt would offer Ital small amt wheat on terms similar those offered France. In this case it would be readily

¹ Statistics of the aid provided to Italy in the period October 1-December 31, 1947, under Public Law 84 (see *Foreign Relations*, 1947, vol. III, footnote 1, p. 874) are to be found in President Truman's *Second Report to Congress on the United States Foreign Relief Program, for the quarter ended December 31, 1947*, Department of State Publication 3101 (Washington, Government Printing Office, 1948).

apparent Ital people that quantity supplied out of large Soviet surplus of grain is inadequate for maintenance Ital ration.

On other hand, it is conceivable Sov Govt might offer requested quantity or sizeable amt wheat on terms similar those incorporated in US post-UNRRA relief act and pending interim aid program, i.e. observation and publicity. We shd not dislike offer this nature, as it would demonstrate inconsistency present Soviet attitude towards US assistance generally, and make it difficult for Soviet propaganda to continue insist upon "imperialist" aims of US assistance if Soviet aid offered on same terms.

Moreover, while Soviet attitude might arouse gratitude on part Ital people, it seems to us it would reflect even greater credit upon US assistance, given over longer period and in greater volume.

Finally, it might be that Sov Govt would reject Ital request on political and other grounds. In this event, onus of difficult Ital cereals situation would rest squarely upon USSR.

In your discretion, you may discuss this matter with De Gasperi (prior discussions other Ital officials might appear inappropriate in view gravity of political aspects) and inform him Dept desires his views re above suggestion. Dept also desires your comments in light present Ital conditions.

LOVETT

865.20/12-747 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, December 7, 1947—4 p. m.

US URGENT

3957. The military representative sent me by De Gasperi to acquaint me in detail with situation of Italian armed forces including Carabinieri and police has after a secret study prepared a list of matériel needed to meet the possibility of an organized Communist attempt to take over the government by force. This list has been transmitted to Secretary of Defense by our Military Attaché in message MAR 345.¹

In connection with my estimate of the situation here, reported in my 3851, November 28 (repeated London as 273 and Paris 463 ²) and the Prime Minister's concern that the Italian forces responsible for internal order should receive a strengthening of arms and equipment, reported in my 3918, December 5, 11 a. m. (repeated London as 281) the military estimate presented me by the Prime Minister's representative is as follows:

¹ December 7, 1947, not printed.

² Not printed.

The Communists have been steadily losing ground politically throughout Italy and if free elections were to be held under present circumstances or those foreseeable by March it will result in their defeat at the polls. It is the belief of the Italian intelligence services that as a result of this trend the Communists have abandoned hope of a legitimate electoral victory and are now preparing for action by force. The series of strategically planned strikes and civil disturbances which they have already carried out and are expected to continue are the preliminary skirmishes leading to an attempt to overthrow the government. Any Communist *coup d'état* must take place prior to and not after the election. If Communists do not succeed in the postponement of the March elections the attempt at general revolt will probably occur any time between now and March. It was military opinion however, that the revolt would not be attempted prior to the end of December in order that the workers may collect their thirteenth month pay, i.e. their Christmas bonus. Steps have already been taken to rearrange the Italian Army groups and Carabinieri into as favorable geographical position as possible to cope with an armed uprising organized throughout Italy. There is, however, grave doubt on the part of the experts who have studied the situation whether present military and police equipment is adequate even if there is a determined stand on the part of the government to put down force by force. According to their studies which do not envisage open armed intervention from the east it is necessary to bring the armed forces and Carabinieri fully up to the treaty limits, as well as to make naval preparations to protect the Adriatic coast from clandestine attempts at landing arms and Communist partisans from Yugoslavia. There does not exist, according to this survey, adequate military equipment in Italy to meet the last two objectives or to provide a marginal reserve for emergency, and the list of arms presented to us indicates what they consider essential to maintain order in the event of any organized revolt.

Above military estimate appears to confirm my own concern over Italian police and army reported in my 3851. I urge that an extraordinary effort be made on our part to supply as soon as possible the military equipment which has been so urgently requested by the government in this emergency. May I also again submit for the Department's consideration the proposal contained in my 3891, December 2, that US troops be transferred to Libya.³

It is important to the situation here that the foregoing be handled in strict secrecy as requested by the Prime Minister.

Repeated to London for the Secretary.

DUNN

³ See footnote 1, p. 734.

811.2365/12-547 : Telegram

The Acting Secretary of State to the Embassy in Italy

TOP SECRET

WASHINGTON, December 9, 1947—6 p. m.

US URGENT

2571. For the Ambassador. In light of info contained ur 3918 Dec 5 and 3957 Dec 7, we have agreed Dept of Army shd order withdrawal US forces Italy on Dec 14. Possibility of strengthening US forces Austria not now practicable, and transfer US forces to Libya (ur 3891 Dec 2) considered inadvisable on military premises and because of general tension East Mediterranean re Palestine.

In connection with ceremonies upon departure US forces, Navy is ordering units Med fleet now at Naples to Genoa (ur 3958 Dec 7) for courtesy call, and Air Force is arranging flight of B29s from Germany over Italy, including possible landing at Amendola, as evidence of continued US strength in vicinity. Consideration being given possibility of statement along lines penultimate para ur 3918. Question of equipment listed MAR 345¹ from MA also under urgent study, and decision expected shortly.

LOVETT

¹ Not printed.

800.48 FRP/12-947 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, December 9, 1947—8 p. m.

URGENT

3972. I fully agree that political implications bread ration cut should be discussed with De Gasperi prior to any action in that regard. Before taking this matter up with him as instructed in Deptel 2556, December 7 [6], I would like to have opportunity to study figures in Deptel 2492, December 1 which was delayed in transmission and has just come to me. It may be that Italian Govt might be able to make some readjustments in distribution of different kinds of foodstuffs in various parts of country by sending available cereals to points where most needed in manner which would possibly avoid actual announced cut in rations.

In response to request for my comments in light of present Italian conditions I submit following considerations:

Any cut in Italian bread ration at this time or during next critical months will of course greatly imperil success of our whole Italian policy and future possibility of free and democratic govt in this

country. It will be heavy blow to personal prestige of Prime Minister whose entire program of saving Italy from Communism is based on sufficient assistance from US to prevent anger [*hunger?*] It is particularly tragic that this step should be considered now. Prime Minister has burned his bridges as far as Communists are concerned and whole trend of public opinion is now going in his favor. Please see mytels 3851, November 28,¹ 3918, December 5 and 3957 December 7.

If Prime Minister is obliged to go hat in hand to Soviet to ask for bread because American assistance is not enough, will not Soviet Government be in position to stipulate their assistance must be to an Italian Government "friendly" to Soviet Union; and surely one in which members of Communist Party in Italy are not excluded? Furthermore will De Gasperi be in position before Italian people to refuse assistance should it be obtainable on such a basis? Communist Party in Italy cannot but profit from such a move.

Any such assistance now might very easily be used to overthrow present non-Communist government and prepare way for introduction of Communist or Communist-controlled agents into Italian Government.

As regards any recommendation that present government appeal to Soviet Union it is my considered opinion we should go very carefully indeed and any mention of such a proposal on my part should be exploratory in strictest sense merely for purpose of obtaining preliminary reaction from Prime Minister.

May I urge as of utmost importance that a further effort be made to find some way of meeting Italian bread ration requirement other than by Italian recourse to Soviet Union and that conclusion of NSC 1-1 paragraph 8 (1) approved by President be carried out.

Furthermore purely from political aspects of matter of timing it would be extremely inadvisable to make any approach to Italian Government on this subject before end of month at which time it is expected Constituent Assembly will have been dissolved and govt then will be in control of situation without having to refer to that body. It would be most unfortunate if a debate were to occur in Assembly concerning cut in bread rations and result might be so embarrassing to govt as to bring about its resignation which would of course be a triumph for Communists.

I notice in Deptel 2556, reference to gap of 500,000 tons as approximate amount needed beyond present availability through next June. It seems to me that we should deal at this time with a period from now through April or at least until elections which may be sometime in March and having that period in mind for obvious political reasons we

¹ Not printed.

should make every effort to see that no cut be put into effect prior to elections whether in March or April.

We must also keep in mind that we are trying to instill into present govt a feeling of self-confidence and strength with view to have them take whatever measures are necessary to preserve freedom and democracy in Italy in event of display of force by Communists with a view to taking over control. It seems very hard on a man who is carrying responsibilities present Prime Minister has assumed to suggest that he be firm in resisting Communist iusurrectionist activities and at same time take away from him support he has more or less counted on in being able to maintain at least meager bread ration this govt has undertaken to preserve.

If we are to carry through our program of trying to have Italy maintain and preserve its independence and liberty we must not reduce the bread ration.

DUNN

811.2365/12-947 : Telegram

*The Military Attaché in Italy (Willem) to the Intelligence Division,
Office of the Chief of Staff, United States Army*

SECRET

ROME, December 9, 1947.

MAR 349. From USMilAttaché AmEmbassy Rome Italy sgd Glawe¹ to CSGID (pass to Departments of Air, Navy and State) info CG TRUST, EuCom and USAFE. Landing right agreement for United States military aircraft accepted 6 December in principle by Embassy and Italian Foreign Office. Requirements for discipline jurisdiction, customs, stationing personnel and locating communication equipment not decided. Exceptional circumstance clause of agreement permits clearance of aircraft on notification attaché with Italian Air Force rather than slow Foreign Office procedure. No limitation placed on number of flights, points of landing, nor route to be followed. Aircraft can continue flights on notification basis after 15 December but Air Attaché must receive following information as far in advance as possible (not later than 24 hours before landing): (a) Type and call sign of aircraft. (b) ETA and airfield of intended landing. (c) Name pilot and number persons aboard. (d) Point of departure and route to be flown. (e) ETD from Italy.

Formations or training overflights or ferrying combat aircraft must have week notice whenever possible to permit normal request clearance rather than notification. This point urged by Italians because of tense political situation.

¹ Col. Benoid E. Glawe was the Air Force Attaché at Rome.

Italians insist locating weather and communications facilities for possible additional aids to navigation can be met within terms of air service agreement. If equipment left in Italy insufficient under this agreement additional equipment may be supplied and transferred to new desired site as per said agreement.

Italians state additional technical personnel could be stationed Italy by means of request from Italians to United States for reorganization assistance rather than on basis written agreement (to which they object).

Indicated we will receive discipline jurisdiction on "gentleman's agreement" but Italians do not desire place same in writing.

Indicated crew and intransit passengers may wear uniform and travel military orders until these points agreed.

Manner of handling United States Government consigned mail and discharged cargo not yet defined. Free transit cargo, mail, personnel for TRUST covered in Embassy *note verbale* to be agreed soon. Important that clearance notification be received so not to violate lenient procedure. Unfinished details still being negotiated.²

² The agreement was not concluded until April 10, 1948.

865.24/12-1147

*Memorandum by the Secretary of Defense (Forrestal) to the
Secretary of State*

TOP SECRET

WASHINGTON, 11 December 1947.

Subject: Italian Requirements for U.S. Military Supplies and Equipment for Use in Controlling Internal Disorders

1. This will summarize information presented to me by the Department of the Army concerning Italian requirements for U.S. military supplies and equipment for use in controlling internal disorders.

2. As indicated in Ambassador Dunn's radio 3957 of 7 December 1947 (a copy of which has been furnished me as CM-IN 1474 of 9 December 1947) a list of items stated to be urgently required by the Italians has been received by the Department of the Army. It is the Army view that the list includes items of two types: (1) those which can be effectively employed in the immediate future (i.e., within the period of currently anticipated emergency), such as small arms and ammunition therefor and armored vehicles; and (2) those which might be desirable on a longer term basis. It is believed that immediate consideration should be given only to the former type, reserving the latter for more deliberate appraisal.

3. Analysis of the quantities requested indicates, on the basis of

information available to the Department of the Army, that in some instances the request is excessive and should be reduced. However, it is considered that the quantities and items, when thus reduced, will represent a proper requirement for material essential to the maintenance of internal order in Italy. While there can be no assurance that the provision of these items will insure the attainment of the desired end, it is nevertheless considered that this assistance will considerably improve the ability of the Italian Forces to control the situation and to contribute to the stability of the Italian Government. In this connection, the President has recently expressed to me his concern over the present situation and his desire to assist in any way practicable the efforts of the Italian Government to maintain order during the present crisis.

4. There are four points which should be considered in connection with any proposal to transfer U.S. Army equipment or supplies to Italy. First, it must be recognized that property of the United States may not be sold or otherwise disposed of without the authority of Congress and that the only present authority under which transfer of U.S. Army supplies and equipment to Italy may legally be accomplished is the Surplus Property Act.¹ Since most of the items involved are not surplus to U.S. Army requirements, it appears that Congressional authorization will be required for the transfer of these items. Second, the Department of the Army has no funds available at this time to replenish stocks which might be authorized for shipment to Italy, or to defray the cost of packing and shipping; and it will therefore be necessary to secure funds for these purposes from other sources. Third, the magnitude of the proposed undertaking is such that it can not be accomplished within the personnel ceilings now fixed for the Department of the Army by Congress (the "Byrd Law"²); and so here also Congressional authorization for exception will be required. Finally, it should be noted that in order to insure the effectiveness of the assistance provided, some method must be found to establish an adequate number of U.S. representatives in Italy in order to control shipments and to insure the proper delivery of the equipment provided.

5. The Department of the Army will furnish separately, at an early date, full information as to (1) availability of the items considered necessary at this time for the Italian forces, (2) costs involved, and (3) estimated time required for shipment.³

FORRESTAL

¹ Surplus Property Act of October 3, 1944; 58 Stat. 765, as amended.

² Section 14 of Public Law 390 of the 79th Congress set a limit on civilian employees in the War Department at 176,000 by July 1, 1947; 60 Stat. 220 (which amended Section 607 of the Federal Employees Pay Act of 1945).

³ See p. 749.

865.00/12-1147 : Telegram

Mr. J. Graham Parsons, Assistant to the Personal Representative of President Truman to Pope Pius XII, to the Secretary of State

SECRET

VATICAN CITY, December 11, 1947—3 p. m.

49. In last few days Vatican contacts have shown anxiety as to manner in which Italian Government and people will face up to major Communist effort to win power which they consider imminent. Despite its outcome Troilo incident at Milan ¹ is regretted as successful test of Communist strength and discipline. They regard threat as almost wholly internal, not external, at present. Their diagnosis of situation at all points where this office has been able to learn it from Tardini ² and Montini,³ the Vatican Under Secretaries of State, and others close to Pope, accords with that of Embassy Rome. Understandably in view their desire for US support of Italy which *ipso facto* adds to security of Vatican City, they do not understate the picture.

Their remedy is two fold, first a strong stand by government as in France wherever strikes and disorders take on rebellious character, and second, organization of reliable elements for service in negating expected Communist efforts to paralyze nation. Pope on December 8 exhorted Catholic Action Youth of Rome to personal courage in face of any odds and identified Catholic actions nonpolitical activities on behalf of Church with "civil order, justice and peace".

While no Vatican contact has yet said so directly, it seems certain that Vatican view of need for firm policy both in action and in public expressions must have reached Italian Government with increasing insistence these past few days. Moreover, as highest Vatican officials have long regretted departure US troops at this time, it may be assumed Vatican has also urged government to consider what further US aid may be secured in all likely contingencies. Only yesterday Tardini said that despite relative proximity of USSR, noncommunist majority

¹ Ettore Troilo was a political appointee to the office of Prefect of the Province of Milan. The move of the central government to transfer him resulted in a general strike in Milan and the temporary occupation of the prefecture (November 28). The general strike was suspended and the release of Troilo was effected after intervention of the Under Secretary of the Ministry of the Interior, Achille Marazza.

In telegram 3913, December 3, from Rome, not printed, the Embassy commented: "Troilo is certainly a fellow traveller. He was a leader during days of clandestine military activity of Committee of National Liberation for Northern Italy which established a quasi-government organization that continued to have effective power for several months after VE Day. Troilo, who was acceptable to CLNAI, succeeded the first post-war Milan prefect, Riccardo Lombardi, when latter was brought to Rome as Minister of Transport in January 1946. Troilo was 'political' rather than career appointee . . ." (865.00/12-347)

² Domenico Tardini, Secretary, Congregation of Ecclesiastical Extraordinary Affairs.

³ Giovanni Battista Montini, Vatican Secretary of State.

in Italy would welcome any necessary US intervention in Italian internal affairs because majority's interest in this crisis is identical to that of US.

PARSONS

740.00119 Control (Italy)/12-1147: Telegram

The Acting Secretary of State to the Secretary of State, in London

RESTRICTED

WASHINGTON, December 11, 1947—10 p. m.

US URGENT

Telmar 70. Following statement on Italy, concurred in by Army, Navy and Air Force and Secretary Forrestal, has been approved by the President subject to your concurrence and will be released if you approve at 6:00 p. m. EST Dec 13 for publication 9:00 p. m. that date:

"Although the United States is withdrawing its troops from Italy in fulfillment of its obligation under the treaty of peace, this country continues its interest in the preservation of a free and independent Italy. The United States Government has been giving careful attention to recent events in that country and notes that a minority political faction has been making serious and intensive preparation for seizure of power in Italy by force and in pursuance of its expressed opposition to the European Recovery Plan has been endeavoring to disrupt efforts to achieve economic stability and recovery. It also notes that this faction which plainly operates under foreign inspiration has taken a position deeply hostile to this country.

"If the Italian Government with which the Allies so recently concluded a treaty of peace should lose control of any appreciable amount of Italian territory before the ink is really dry on that settlement, and particularly if this territory were to fall into the hands of elements openly hostile to the maintenance of a Government of free people in Italy, that would constitute a challenge to the Allied victory in Italy and a mockery of the sacrifices made by the men of the American armed forces and by the Italians themselves in that area. This country did not fight the war in Italy to see the Italian people again subjected to the totalitarian rule of a foreign-inspired minority. The responsibilities which the United States has assumed to the Security Council with respect to the administration of the Free Territory of Trieste are such that for this reason alone, if no other, it could not be indifferent to a disruption of the stability of that general area.

"For these reasons it must frankly be stated that if any appreciable amount of Italian territory falls under the control of elements defiant of the legitimate Italian Government, this may undermine the entire basis of the Italian peace settlement and will oblige this Government in the light of its responsibilities as a member of the United Nations and of its continued interest in the welfare of this area to consider the situation and to review the obligations which it has assumed under the Italian peace treaty and under the Charter of the United Nations with respect to the maintenance of peace and security."

Sent London as Telmar 70 rptd Rome as 2598.

LOVETT

865.00/12-1147 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, December 11, 1947—midnight.

4000. In connection with Communist tactics involving disturbances and strikes on flimsiest pretext, the party is returning more and more to the militant slogans and forms familiar two and more years ago. This tendency is apparent in (1) crescendo of vituperation and charges of provocation against "Fascists" and "Fascist movements", with the concomitant attempt to discredit the Government for condoning their existence; (2) reorganization of partisan formations, in all echelons; (3) announcement that party will be benevolent patron of "democratic communes"; and (4) agitation for establishment by law of workers councils having equal share with management in industrial operations. Promotion of "Constituent Assembly of the land" is a new tactic in current strategy, but is only a refinement of the old slogan "Agrarian reform" into something specific which can serve as rallying point for the rural voter.

Item (1) has been covered in previous telegrams so as to require no further elaboration here. Regarding (2) partisan rallies and parades information [*in formation?*] have taken place at Genoa and, in connection with the "first congress of resistance" at Rome (mytel 3964, December 9¹). The rallying cry is just what it was in 1945—resistance (to Fascism) and independence. (In this connection, I received a furious telegram from the Carrara section of the ANPI in protest at Acting Secretary's allusion to Soviet responsibility for Communist activities here; the message assured me that "partisans fought against enemies of liberty and independence and are determined maintain integrity liberty struggle of liberation.") Also we have had a plausible report that it is planned shortly to reconstitute in Milan the CLNAI military command under Longo,² who was commander in spring of 1945.

The Democratic communes (Item 3) are, of course, the old CLNAI and its subsidiaries, which were formed alongside the Mussolini Republic administration and literally administered northern Italy at and for sometime after liberation. Apart from the Milan "citizens committee", however, we have not as yet firm indication of where or how this part of the strategy will operate.

Finally, the "Consigli di Gestione" issue, which rallied the industrial workers in 1944 and 1945, has been dusted off and re-invigorated with

¹ Not printed.

² Luigi Longo, vice secretary of the Italian Communist Party; Deputy in the Constituent Assembly.

meetings, concrete proposals, and appropriate fanfare. (See for example mytel 3642, November 12[13]³). Like the citizens committee, the Milan Consigli tested their organization by virtually seizing control of many industries during the general strike there.

While developing this framework for fomenting disorder and attacking the authority of the state, both frontally and clandestinely, Communists do not appear to have entirely lost sight of purely political aspects of their program which in itself contributes considerably to the potency intimidation factor during pre-election period. For example Communists' propaganda is as usual concerned with charging their opponents—the Rightists and the government—with just those motives and plans which they themselves have. Communists take every opportunity given them by rightist accusations of violent intentions and by police actions to charge "provocation"; and they are at pains to refute any imputation that they themselves are provocative or aggression [*aggressive*]. Most recent instance of this is found in Scoccimarro's⁴ Turin speech (mytel 3978, December 9⁵ and 3983, December 10⁶) whether or not he actually referred to recourse to arise [*arms?*] in 48. *Unita* made no reference to speech day after its delivery, and day after that Scoccimarro went to elaborate lengths both to deny he used the words and to assert that by them he meant worker-management councils in factories.

Sent Department 4000 and Paris 479.

DUNN

³ Not printed.

⁴ Mauro Scoccimarro, Communist Deputy in the Italian Constituent Assembly; former Minister of Finance, 1945–1947.

⁵ Telegram 3978, December 10, from Rome, is not printed.

⁶ The reference to telegram 3983 is incorrect.

740.00119 Control (Italy)/12–1247: Telegram

The Secretary of State in London to the Acting Secretary of State

TOP SECRET

LONDON, December 12, 1947.

URGENT

Martel 71. From Marshall to Lovett. Preconference material for 9:30 a.m. (Washington time) conference between Secretary and Mr. Lovett:

Reference Telmar 70, December 11, regarding statement on Italian situation. It is the consensus of opinion in delegation here that the statement in its present form would be highly inadvisable. Its references to internal political factions as a basis for US action would confirm the Communist assertions generally and particularly in France that we intend to intervene in the internal affairs of European na-

tions. Further, the opinion here is that we have not immediately available in Europe the means effectively to carry out the implications of the statement and therefore we would be in position of placing too much dependence on the effect of words rather than on the immediate positive action required. There must be no question of an empty threat with its dangerous consequences. The much larger question is whether this is the moment and the conditions under which we lay down in effect the gauge of battle.

The statement apparently stems from the message of Dunn in Rome 281, December 5, giving De Gasperi's suggestion for such a procedure.¹ I call attention to the fact that in this particular message of Dunn's De Gasperi's preliminary statement regarding the adverse effect of an American mission appears inconsistent with his final suggestion regarding the advisability of an American public statement implying the direct threat of military intervention.²

MARSHALL

¹ Not printed.

² The statement released to the press by the White House on December 13 read as follows:

"Although the United States is withdrawing its troops from Italy in fulfilment of its obligations under the treaty of peace, this country continues its interest in the preservation of a free and independent Italy. If, in the course of events, it becomes apparent that the freedom and independence of Italy upon which the peace settlement is based are being threatened directly or indirectly, the United States, as a signatory of the peace treaty and as a member of the United Nations, will be obliged to consider what measures would be appropriate for the maintenance of peace and security." (Department of State *Bulletin*, December 21, 1947, p. 1221.)

865.24/12-1347

*Memorandum by the Director, Plans and Operations, General Staff,
U.S. Army (Norstad) to the Secretary of State*¹

TOP SECRET

WASHINGTON, 13 December 1947.

Subject: U.S. Military Supplies and Equipment for Use in Controlling Internal Disorders in Italy

1. The Department of the Army has carefully reviewed the list of military supplies and equipment, as submitted by the Military Attaché, Rome in his dispatch MAR 345 dated 7 December 1947,² and has divided this list into two categories, (1) those which can be effectively employed in the immediate future (i.e., within the period of foreseeable emergency), such as small arms and ammunition, and (2) those which would be desirable on a longer term basis. Analysis of the quantities requested indicates, on the basis of information avail-

¹ The memorandum was addressed to Mr. Samuel Reber of the Office of European Affairs.

² Not printed.

able to the Department of the Army, that in some instances the request is excessive and should be reduced. However, it is considered that the items which can be effectively employed in the immediate future, in reasonable quantities, represent a proper requirement for matériel essential to the maintenance of internal order in Italy.

2. In view of the urgency of the situation and in anticipation of appropriate authorization, it is considered that the Department of the Army should immediately initiate necessary action to furnish to the Italian government those items which fall into category (1) and which are surplus to the needs of the Department of the Army. To this end the Department of the Army is prepared to furnish to the Italian government the following items of equipment and ammunition:

Rifles, U.S. Cal. .30 M1903	50,000
Pistols, Auto, Cal. .45 M1911	5,000
Gun, Submachine, Cal. .45, Thompson	20,000
Cartridge, Ball, Cal. .30	30,000,000
Cartridge, Ball, Cal. .45	20,175,000

3. The Department of the Army can furnish the above equipment without cost to the Italian government. However, no funds are available to pay the cost for procurement of ammunition, the cost of inspection, or the cost of packing, handling and shipment of the equipment to Italian ports. It is estimated this cost will amount to approximately \$3,754,190 for the items listed in paragraph (2) above.

4. If considered necessary by the Italian government and the Department of State, a token quantity of the above equipment could be shipped by air to Italy within 5 or 6 days with the remainder transported by water shipment and arriving in Italy in approximately 45 days.

For the Director, Plans and Operations:

W. H. ARNOLD

Major General, GSC

Deputy Director, Plans & Operations

FW 865.24/12-1347

*Memorandum by the Acting Director of the Office of European Affairs
(Reber) to the Acting Secretary of State*

TOP SECRET

[WASHINGTON,] December 16, 1947.

Subject: Equipment for Italian Army

Discussion

The Department of the Army has reviewed the list of military supplies and equipment requested by the Italian Government (Rome's 3957, December 7), and has divided the list into two categories:

- (1) items which can be effectively employed in the immediate future;
- (2) items which would be desirable on a longer-term basis.

Provided the State Department will state that this action is in the national interest, the Department of the Army is prepared to make available from surplus equipment in the first category without cost to the Italian Government and to procure at cost certain needed ammunition. We are in agreement with the Department of the Army that the Chairmen of the Senate Foreign Relations Committee, the House Foreign Affairs Committee, and the Senate and House Appropriations Committees should be informed of our intention to make this equipment available to the Italians. The Department also desires that we give them a statement to the effect that the transfer of this equipment to the Italians would be in the national interest.¹

The Department of the Army has no funds for the packing and shipment of this equipment, however. Shipping charges, and the cost of the ammunition, totaling some \$3,754,000, would have to be paid by the Italian Government unless a specific authorization and appropriation is obtained from Congress. While the Italian Government may have difficulty in meeting these charges, it is not believed feasible to go to Congress on the matter at present.

It is understood that the arrangements worked out by the Department of the Army were based on the President's suggestion to Secretary Forrestal that assistance be given Italy if possible.

Recommendations

If you concur that the equipment should be made available to Italy, it is recommended that you inform the Congressional leaders of the intended transfer.

Subsequently, the Department will inform the Department of the Army that the transfer would be in the national interest, and the attached telegram will be sent to Ambassador Dunn authorizing him to discuss the matter with De Gasperi.²

¹ A marginal note reads: "Mr. Lovett saw rep. of these Committees except the Appropriations people. He feels it is not necessary to see them unless some compelling reason. H[arold] W. M[oseley]".

² The memorandum by the Department of State for the Department of the Army, December 18, 1947, not printed, stated: "If this arrangement is acceptable to the Italian Government the Department of State is prepared to inform the Department of the Army that the transfer would be in the national interest and requesting that the Department of the Army arrange to make this equipment available to Italy." (865.24/12-1547)

865.00/12-1647 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, December 16, 1947—1 p. m.

4052. We have been reliably informed in strictest confidence by official close to Franzoni¹ that Eugenio Reale (Communist and former Under Secretary for Foreign Affairs)² called yesterday morning on the Foreign Office Secretary General. Reale stated in considerable excitement that Communist Party of Italy resented most strongly President Truman's statement regarding Italy. He said that it was Togliatti's³ intention to make a very strong interpellation against the government in this regard. He asked Franzoni what was the Foreign Office position in the matter. Franzoni then spoke at some length pointing out the pertinent provisions of the United Nations charter and the Italian peace treaty and summed up that the President's statement was based on eminently sound grounds from a juridical viewpoint. Reale admitted that the US position was "clear and well taken".

He then inquired whether the Secretary General thought the US meant to go to war; Franzoni replied in the negative but added that he did feel that the President's statement meant that there were definite limits to the sort of action the Communists could take. Reale replied that, of course, if the US could intervene in Italy on unjust grounds Russia could, of course, do likewise. Franzoni pointed out that it would hardly be to Italy's benefit to be crushed in a struggle between two great powers. Whereupon Reale replied that it was not the Communists' intention to start anything up. He added, however, that of course no one could know what the people would do, particularly since they were under a reactionary government and faced by a hard winter. He then added "we will not be alone". . . .

We are informed that Franzoni's reaction to this conversation was:

1. The Italian Communists are considerably shaken by President Truman's statement;
2. They themselves will probably hesitate greatly before initiating violent action, but this is discounted because final decision will not lie with them;
3. While Saragat's statement may well have been distorted in the Reale version, nevertheless it indicates that De Gasperi must receive the fullest kind of support from all loyal members of his government.

DUNN

¹ Francesco Franzoni, Secretary General in the Italian Ministry of Foreign Affairs.

² Reale had been Under Secretary for Foreign Affairs in the Bonomi cabinet (December 1944-July 1945) and again in De Gasperi's third cabinet (February-June 1947).

³ Palmiro Togliatti, Secretary General of the Italian Communist Party.

865.5045/12-1747 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, December 17, 1947—4 p. m.

4065. My 4019 December 13.¹ Entry of Republicans and PSLI into Government,² after negotiations which proceeded with varying degrees of intensity ever since fourth De Gasperi cabinet was formed,³ is not, we believe, likely materially to alter Government's policies nor direction which they have taken. Sforza's comment to me that it will be a care-taker government is probably the best estimate. The sheer task of governing will, of course, be more complicated since the political objective of broadening the base has been achieved by expedient of increasing the size of the government, but De Gasperi has been in pains at final phase of negotiations clearly to define his terms, so that the price has not been excessive and should not be subject to renegotiation.

The gains to Italy and to the parties concerned must be measured in political terms and in light of fact that elections will be held in three or four months. Even though Republican and PSLI electoral strength is relatively slight, government now enjoys parliamentary stability through addition of 75 votes in Constituent Assembly (and thus in any interim assembly which may be convened between January 1 and convening of new parliament). Assuming the continued support of liberal deputies and even without that of Qualunquists, government can muster at least 303 certain votes (of total of 550) to 180 and [at?] command of Communists and Socialists.

Also, before electorate, the Christian Demos are now in large part relieved of the course of dependence on, if not alliance with, the extreme right, at same time that isolation of extreme left is correspondingly increased. The sarcasm and vilification with which the Communists and Nenni Socialists have greeted the new government are a measure of the discomfiture which they feel at their exclusion. The extreme disgust which many rightists entertain for Pacciardi may cost the Christian Demos some votes; a compensation is that De Gasperi now able to demonstrate the sincerity of his professions that the CD party, far from wanting a monopoly of government, welcomes support of any truly democratic group. Both Republicans and PSLI, whatever their failings, have the reputation of meeting this definition.

Sent Department as 4065, Paris 490.

DUNN

¹ Not printed.

² On December 15 Giuseppe Saragat, secretary of the *Partito Socialista dei Lavoratori Italiani*, and Randolfo Pacciardi, secretary of the *Partito Repubblicano Italiano*, were each appointed Minister without Portfolio with the rank of Vice President of the Council of Ministers. At the same time Cipriano Facchinetti (P.R.I.) was named Minister of Defense (succeeding Mario Cingolani); Lodovico D'Aragona (P.S.L.I.) was named Minister of Posts and Telecommunications (succeeding Umberto Merlin); and Roberto Tremelloni (P.S.L.I.) became Minister of Industry and Commerce (succeeding Giuseppe Togni).

³ May 31, 1947. See *Foreign Relations*, 1947, vol. III, pp. 911-929, *passim*.

865.20/12-2747 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, December 27, 1947—4 p. m.

4181. In discussion with the military representative of the Italian Government concerning emergency aid to Italian armed forces and police (Department's 2638, December 17 [18]¹ and Department of Army cable 92863²). While Italian Government's answer thereto not yet received, it appears critical shortage funds and foreign exchange will operate to reduce seriously the amount of equipment and ammunition which the present Italian Government can obligate itself to pay for.

The Italian military regime has suggested that we deposit in Italy the arms, equipment and ammunition that would most urgently be needed by them, since it is felt these items must be available immediately to the Italian Government at the onset of any Communist revolutionary attempt. The Italian armed forces and police would thus be permitted to utilize and therefore pay for only those items and amounts necessary to meet such emergency and of course in event no crisis arises to avoid financial obligation by the Italian Government. While it is appreciated that the foregoing is not practical, particularly in view of the necessity of delay for congressional approval for such a program, nevertheless in the interest of insuring the outcome, consideration should be given to the depositing of critical items of small arms, ammunition, and equipment in our occupied zones in Europe readily available for rapid shipment to Italy in event of a Communist *coup*. It is believed that certain essential items could be so earmarked from reserves already in the United States Zones of Germany and Austria including such surpluses which may be destined for later transfer to German economy. Should shipment of certain items be required from the United States, it would appear this can be accomplished without delaying for congressional approval since it could be considered as shipment to our United States forces in Europe. I suggest that this matter be passed to the Department of Army for consideration and exploration.

The feasibility of air delivery of an appreciable portion of this emergency military aid should be explored since it can be accepted as fact that events will move rapidly in Italy should the Communists attempt a revolution here. The outcome of the early days of the fighting would be all important in order to avoid peril of initial loss of control of major portions of Northern Italy with result and possibility of encouraging Eastern European intervention.

DUNN

¹ Not printed.² December 22, 1947, not printed.

800.48 FAA/12-3047 : Telegram

The Acting Secretary of State to the Embassy in Italy

RESTRICTED

WASHINGTON, December 30, 1947—7 p. m.

US URGENT

2735. Mefa 3. Subject: Additional publicity Interim Aid.

1. Enabling legislation interim aid is Public Law 389 of Dec. 17 entitled "Foreign Aid Act of 1947".¹ Appropriation legislation is Public Law 393 of Dec. 23 entitled "Third Supplemental Appropriation Act, 1948" for fiscal year ending June 30, 1948.²

2. Use words "United States Foreign Aid Program" as official designation. Abbreviation is USFAP, but please use PL 389 in addition in cables to clearly distinguish from USFRP, PL 84.

3. Following is initial portion supply program for Italy approved by Dept. under USFAP, PL 389. Procurement will be initiated on signature agreement.

<u>Product</u>	<u>Quantity</u>	<u>Estimated CIF Value</u>
	<i>(Long tons)</i>	<i>(Dollars)</i>
Cereals	152, 000	22, 000
Soya Flour	2, 000	360
Pulses (U.S.)	4, 000	1, 244
Rolled Oats	3, 000	918
Coal (U.S.)	600, 000	12, 000
*Coal (Ruhr)	256, 000	5, 500
Aviation gasoline		300
POL from various countries		6, 800
Blister copper from Chile		4, 100
Phosphate rocks		2, 200
Nitrates from Chile		1, 000
Medical supplies		600
Total		57, 022

*December and January shipments.

4. Desirable that publicity covering this initial program be released when agreement signed.³ Send urgently substance ur press release for use in preparation simultaneous release here on signature of agreement.

¹ 61 Stat. 934.

² 61 Stat. 941.

³ The Department's telegraphic instruction 2732, December 30, not printed, forwarded the text of the agreement which the Ambassador was authorized to sign (800.48 FAA/12-3047). For the text of the new agreement signed at Rome on January 3, 1948, see Department of State, Treaties and Other International Acts Series (TIAS) No. 1678, or 62 Stat. (pt. 2) 1807.

5. This message supplemental to request for publicity contained Deptel 2678, Dec. 20, Mefa 1, on agreement itself.⁴ Suggest single release covering (a) agreement and purposes program as a whole (b) initial portion program set forth para 3 above.

LOVETT

⁴ This telegraphic instruction, not printed, forwarded to Rome the initial draft of the proposed new agreement (800.48 FAA/12-2047).

865.20/12-2747 : Telegram

The Secretary of State to the Embassy in Italy

TOP SECRET

WASHINGTON, January 12, 1948—10 a. m.

URGENT

Niact 63. General problem equipment Ital armed forces, including provision urgent requirements security forces under urgent consideration SANACC sub-committee¹ (urtel 4181 Dec. 27) which has now concluded no possibility under existing authority transfer significant quantities without reimbursement cost and handling charges. Have considered fully possibility supply from surplus, under loan, or shipment to US occupied area of Italy for handover in event anticipated emergency and have determined no authority exists. Dept agrees your view request specific Congressional authorization on lines Greek-Turkish program precluded at present by Ital internal political considerations and further believes necessary authorization for Ital program or general authorization could not possibly be approved in time meet present problem.

Defense Depts have prepared comprehensive list equipment available and required on basis Ital request (your MA tel MAR 345 Dec 7)² and Bathurst report (urtel 3185 Oct 10),³ including equipment Deptel 2638 Dec 17,² which can be provided Itals promptly upon agreement reimbursement cost and handling charges approximately sixteen million dollars.

You shd explain De Gasperi legal obstacles which prevent furnishing needed supplies without charge despite our sincere desire assist Ital Govt's efforts increase capabilities Ital armed forces maintain public order. Decision as to amt of above mentioned eqpt which is immediately essential is one for Ital Govt itself.

If they consider eqpt essential and agree payment, Army Dept can arrange early shipment equipment Deptel 2638 and will furnish details

¹ See *infra*.

² Not printed.

³ *Foreign Relations*, 1947, vol. III, p. 989.

additional equipment available under sixteen million dollar program. For planning purposes here require your earliest comments.⁴

MARSHALL

⁴In telegram 187, January 15, 1948, not printed, Dunn reported he had conveyed the substance of the instruction to De Gasperi who felt he needed more information about the equipment included in the program, and hoped that payments might be effected on a deferred basis (865.24/1-1548). In a further telegram, 261 of January 20, not printed, Dunn reported that De Gasperi wished more details regarding terms for payment; that the Military Attaché had not yet received details of the \$16 million program. Dunn explained that De Gasperi "is fully aware that political situation here will render the Prime Minister who will bear full responsibility subject to strongest kind of attack from the left incident to any expenditures of foreign exchange for the equipment envisaged. The nature of the terms which US Government can offer has consequently a tremendous bearing on feasibility of his accepting the aid which he has requested." (865.24/1-2048)

SWNCC Files, Lot 52M45,¹ SANACC390

*Report by the State-Army-Navy-Air Force Coordinating
Subcommittee*

TOP SECRET

WASHINGTON, January 16, 1948.

SANACC 390/1²

PROVISION OF U.S. EQUIPMENT TO THE ITALIAN ARMED FORCES

THE PROBLEM

1. To prepare a report to the National Security Council on the possibility of furnishing U.S. equipment to the Italian armed forces, including an indication of what measures, such as legislation and appropriations, are necessary to accomplish the desired end.

Note: This is an interim report based largely upon requirements of Italian armed forces as expressed in Appendix "B". This report will be followed at an early date by a final and complete report in accordance with the directive from the National Security Council dated 18 December 1947 (SANACC 390).

FACTS BEARING ON THE PROBLEM

2. In NSC 1/1³ the principle is accepted that the United States has security interests of primary importance in Italy and that the measures to implement our current policies to safeguard those interests should be strengthened without delay. While that study concludes that

¹ Master set of numbered SWNCC (State-War-Navy Coordinating Committee) and SANACC (State-Army-Navy-Air Force Coordinating Committee) papers and related documentation maintained in the Department of State for the years 1945-1948.

² With minor changes of wording SANACC 390/1 was approved by informal action on January 27, 1948.

³ Dated November 14, p. 724.

further assistance should be extended to the Italian armed forces in the form of technical advice to increase their capacity to deal with threats to Italian internal security and territorial integrity, no recommendation is made with respect to the furnishing of munitions.

3. The report by the U.S. Army Survey Group to Italy (reproduced as enclosure to SANACC 390) concludes that the Italian armed forces are not presently equipped so as to be capable of performing their missions within peace treaty limitations.

4. Ambassador Dunn has advised the Department of State that Prime Minister De Gasperi has expressed to him his grave concern that the military equipment available to the Italian security forces may be inadequate and that that factor would seriously handicap the Government in its efforts to combat an anticipated Communist-led insurrection (Ambassador Dunn's telegram 3957,⁴ Dec 7 - Appendix "A"). A list of equipment most urgently required by the Italian armed forces for the purpose of maintaining internal security and guarding the frontiers and coast against clandestine aggression from Yugoslavia has been forwarded to the Secretary of Defense by the Military Attaché at Rome (Military Attaché's telegram MAR 345 Dec 7⁵ - Appendix "B").

5. The Departments of the Army and of the Navy have examined the Italian Government's list and have prepared a comprehensive list of those items considered most urgently required and which can be procured or made available from existing stocks (Appendix "C"). Certain of the items are surplus to present U.S. requirements and can be transferred to the Italians without reimbursement under the Surplus Property Act provided the Department of State will establish that the transfer is in the national interest and that substantial benefit would thereby be received. The Department of State is prepared to give such assurances. The great bulk of the equipment, however, cannot be made available without reimbursement. The cost of this equipment including charges for inspection, packing, handling and shipment would amount to a total of approximately \$16,000,000 to be paid by Italy.

6. The Department of the Army has advised that 50,000 rifles, 5,000 pistols and 20,000 submachine guns can be made available immediately from surplus and that certain urgently required ammunition can also be provided. The cost of the ammunition, plus handling charges for both weapons and ammunitions, amounts to approximately \$3,750,000. On instructions from the Department of State, Ambassador Dunn has proposed to the Italian Government that the above equipment be

⁴ *Ante*, p. 738. None of these appendices is printed.

⁵ Not printed.

shipped immediately to Italy upon that Government's agreement to reimburse the United States Government for the above-stated cost. On December 27 Ambassador Dunn advised that during discussions Italian military authorities have indicated that the critical shortage of funds and foreign exchange will operate to reduce seriously the amount of equipment and ammunition for which the Government can obligate itself to pay. The Italians have suggested that as an alternative to payment the munitions most urgently required might be deposited by us in Italy for acceptance and payment by them only in the eventuality of the expected emergency. Mr. Dunn has suggested that such a procedure would probably be entirely impracticable and has recommended as an alternative that the critical items of equipment might be transported to an area in Europe under U.S. occupation to be readily available for rapid shipment to Italy in the event of a Communist coup.

7. In connection with the Greek and Turkey aid programs the War Department evolved a policy for pricing supplies and services to be furnished Greece and Turkey.⁶ This policy was accepted by the other interested executive departments of the U.S. Government as a governmental policy. It provides for equitable pricing of supplies and services furnished the recipient governments without financial profit to the Services.

DISCUSSION

3. On the basis of the report of the U.S. Army Survey Group to Italy and of other military and diplomatic reports on the situation, it is apparent that the Italian armed forces are not adequately equipped to enable them to maintain internal security and the security of the Italian frontiers. While the problem of the establishment of armed forces capable of defending Italian territory from aggression by any but a major power is certainly of considerable importance to the over-all strategic security of the United States and the successful prosecution of its foreign policies, it is a matter which can be properly considered only in direct relation to over-all strategic plans and requirements and the required assistance program could be implemented only after a request by the Italian Government for such assistance and the passage of the necessary legislation and appropriations by Congress.

On the other hand, the equipment of the internal security forces of Italy to ensure that the Italian Government will be as fully as possible prepared to meet the threat of Communist-inspired armed insurrection, is a matter of immediate and paramount importance to the security interests of the United States. Therefore, it is the purpose of the present report to deal only with the problem of internal secu-

⁶ See volume IV, section entitled, "United States Economic and Military Aid to Greece and Turkey: The Truman Doctrine."

rity of Italy with a view to further separate consideration of the more general problem of the equipment and maintenance of Italian armed forces capable of repelling foreign aggression.

9. In view of the inadequacy of the present equipment of the internal security forces of Italy; the request of the Italian Government for assistance through the transfer to Italy of a specified list of urgently required equipment and supplies in order to ensure the fullest effectiveness of those forces; the very reliable indications that the Communists in Italy may attempt the seizure of power by force at some time prior to or immediately following the scheduled national elections next April; and the primary importance to the security interests of the United States of the prevention of Communist domination of Italy, it is considered essential to the national interest of the United States that the Italian Government be provided immediately with at least its minimum requirements for effective military and police forces necessary to preserve internal security.

10. In view of the apparent inability of the Italian Government, for internal political as well as for budgetary reasons, to undertake the financial obligations entailed in the acquisition of even the relatively limited amount of equipment urgently required, fullest consideration has been given to the possibility of transferring the equipment without cost to the Italian Government.

a. Consideration has been given to existing legislative authorization and, as conclusively expressed in reference *b*, the only known legislative authorizations for transferring federally-owned munitions to foreign nations are the Surplus Property Act and special legislation covering certain countries but not applicable to Italy.

b. An examination has been made of all known surplus stocks and only the equipment mentioned in paragraph 6 above has been found available in the categories and amounts required.

c. An examination has been made of the possibility of transferring equipment "on loan" without transferring title; such procedure is considered to be precluded by lack of authorization as well as unavailability of supplies which would not require immediate replacement and consequent expenditure of funds.

d.

e. Consideration has been given to the recommendation to the President by the National Security Council that he exercise his executive authority or special powers as Commander-in-Chief to direct the Secretaries of the Army and the Navy to transfer and deliver without cost to Italy the required equipment and supplies. Although the Committee is convinced that the immediate provision to Italy of certain military equipment and supplies is essential if the Italian Government is to be adequately prepared to meet the threat of a Communist-inspired insurrection; and the Committee is of the opinion that the prevention of the seizure of power in Italy or in any appreciable part of the territory thereof by the Communists or their adherents is of

paramount importance to the security interests of the United States, there appears to be no explicit legal justification for such action.

f. The question as to the ability of the Italian Government to pay the costs has been carefully considered and it has been agreed that the decision must rest with the Italians and be determined in the light of constantly changing national and international political conditions as well as by budgetary factors. The use of Italy's monetary gold, dollar credits in the United States, and other assets is conditioned by the same considerations which would govern the decision by the Italian Government to allocate general funds for the purpose of the purchase of arms.

11. Consideration has also been given to the advisability of recommending the request to Congress for special legislation and appropriations, either for the specific purpose of extending military aid to Italy or for the more general purpose of extending such assistance to unspecified countries. Such action is considered inadvisable and impracticable for the following reasons:

a. The presentation of a request to Congress for authorization of a military assistance program for Italy could be undertaken only upon request by and in agreement with the Italian Government. Not only has Italy not made such a request but the present Government is exceedingly anxious that nothing be done which might in any further way associate our assistance to Italy with our program of military assistance to Greece and Turkey. The Italian Prime Minister desires most positively to avoid any action at this critical time which would support the Communist accusations that his Government is militarily and politically subservient to the interests of the United States as well as any implication that his Government could continue in power only with foreign military assistance. If, under changed conditions the Italian Government should request the establishment of a program of military assistance for Italy, our position should be reviewed in the light of the new circumstances.

b. Although the passage of legislation and authorization for a general program of military assistance to unspecified countries would be a complete solution to the present problem, it is considered that even were it to be presented to the Congress immediately with the request for the earliest possible action, the necessary authorization and appropriations could not conceivably be approved in time to permit the shipment of supplies to Italy for the purpose of assisting the Italian security forces to suppress the disorders anticipated in the next few months.

12. The U.S. governmental pricing policy established in connection with the Greek and Turkey aid programs is considered to be applicable to possible provision of military assistance to Italy. The policy includes the following basic provisions:

a. Adequate financial support of the NME in implementing a program of military assistance without material detriment to other NME activities.

b. A basis for equitable charges against possible appropriations made or funds furnished for materials furnished and services rendered to a foreign government.

CONCLUSIONS

13. It is concluded that :

a. There is no specific legislative authority which would permit the transfer to Italy of the required quantities of U.S. equipment to the Italian armed forces.

b. The present political situation in Italy makes it undesirable to request specific legislation for the program of U.S. military assistance to Italy.

c. In any event the request for legislative authorization would not resolve the immediate problem of furnishing additional equipment for the purpose of providing assistance to the Italian security forces during a crucial period between January and April.

d. The Department of State should, in its discretion, continue to explore with the Italian Government the possibility of payment by the Italian Government of the cost and handling charges for the transfer of all or a part of the requested equipment and supplies.

e. The National Security Council should recommend to the President, despite the lack of specific legislative authority, that he, acting within his plenary powers as Commander-in-Chief and as head of the State in its relations with foreign countries and for the purpose of protecting primary security interests of the United States and of United States Armed Forces in Europe, direct the transfer, to Italy from stocks now held or to be procured by United States Armed Forces, subject to reimbursement to the forces concerned, of all or any portion of certain limited quantities of military equipment and supplies requested by the Italian Government and considered by the U.S. Secretary of Defense to be essential in order to increase insofar as practicable the potential ability of Italian security forces to maintain the internal security of Italy and to suppress anticipated attempts by subversive elements to seize power by force.

f. That the pricing policy established in connection with the Greek and Turkey aid programs should be used in the event that the Services are authorized to implement a program of military assistance to Italy.

g. That no transfers of Armed Forces equipment to Italy should take place until a feasible method of reimbursement to the appropriations of the services concerned is established.

RECOMMENDATIONS

14. It is recommended that :

a. SANACC approve the above conclusions.

b. Copies of this paper be transmitted to the National Security Council.

865.24/1-2348 : Telegram

The Secretary of State to the Embassy in Italy

TOP SECRET

WASHINGTON, January 28, 1948—6 p. m.

URGENT

238. Reur 319 Jan 23,¹ OFLC confirms your figure of approximately \$14 million (reported by OFLC as 13.9 million) as amount of credit available to Italy for further purchases surplus property located abroad. This figure arises from short-falls in deliveries on 36 contracts entered into prior to Sept 9, 1946 embraced into the Bonner-Corbino Agreement.²

OFLC also confirms that a substantial underrun is expected in deliveries under Bonner-Corbino Agreement with respect to surpluses for which contracts had not been entered into prior to Sept 9, 1946 and which were contracted for by Bonner-Corbino Agreement itself.

Your figure of \$40 million resulting from this underrun on the Bonner-Corbino Agreement does not agree with any figures made available by OFLC Paris in terms of either original cost or purchase price. Any arrangement to permit Itals to purchase surplus outside of Italy against the "credit" made available by this second type of underrun would, according to present thinking, require an amendment to Bonner-Corbino Agreement to (a) permit use of such "credit" for purchases of surpluses outside of Italy and (b) provide for charging such purchases at individual contract prices rather than at 18.2 per cent of original cost. Before considering further the nature of such an amendment, OFLC Paris is hereby instructed to cable you (rpt Washington) estimated aggregate amount of underrun which will result when deliveries under Bonner-Corbino Agreement are finally completed.³ Amounts shd be stated in terms of both original cost and purchase price of all property transferred or to be transferred under that Agreement, excluding 36 prior contracts.

Pending receipt of this info and further consideration as to how Bonner-Corbino Agreement shd be amended to permit purchasing beyond 13.9 million dollar credit presently available, OFLC has agreed

¹ Not printed.

² See *Foreign Relations*, 1946, vol. v, p. 932, bracketed note.

³ In telegram 646 of February 5, 1948, to the Department, repeated to Rome as 47, OFLC Paris expressed the view that \$12 million was all that was available to Italy under the Bonner-Corbino Agreement without amending it, but that that sum would be adequate (865.24/2-548).

However, in Rome telegram 812 of February 25, Dunn referred to Paris 646 and stated: "Having studied in detail combat material needs of Italian armed forces we disagree with statement in reference cable that \$12,000,000 is adequate to cover foreseeable requirements." (865.24/2-2548)

that principle may be established permitting Itals to purchase surplus located abroad to extent that aggregate of prices for all purchases made does not exceed \$160 million, including (a) total charges arising from Bonner-Corbino Agreement, including 36 prior contracts; (b) \$18 million charge arising from Taff-Del Vecchio Agreement ⁴ and (c) charges for all new purchases made since Taff-Del Vecchio Agreement.

Dept considers unnecessary to contact NAC for authorization to charge further Ital purchases on basis outlined above. As you are aware no further purchases may be made after Jan 31, 1948 from declared surplus in Germany, except property of a type denied the German economy by Allied policy and excluded from the sale to Germany, principally combat material, aircraft and maritime equipment. There is no deadline for purchase of this type of property. Such materiel will be declared surplus for sale to Italy only after requirements have been examined, availabilities determined, and authority for their transfer issued by appropriate Dept offices.

OFLC is unable to include costs of transportation from German border or from US in contract price of purchases. OFLC has no appropriated funds with which to reimburse transportation agency. Purchases made in Germany will, however, be packaged and transported to the German border by US Army without charge to Italy.

Sent Rome as 238, rptd Paris for Hyssong OFLC as 262.

MARSHALL

⁴ See *Foreign Relations*, 1947, vol. III, p. 939.

865.24/2-448 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, February 4, 1948—noon.

473. There have been no significant developments tending to make any less urgent the provision of those arms and equipment for the Italian armed forces which were set forth in Military Attaché cables MAR-345 ¹ and 357 ² of 6 and 15 December respectively. While there has been some amplification of desiderata, after considered study by the Italian Minister of Defense, the Category One requirements enumerated in the foregoing cables remain basic and imperative if the security forces are to be adequately prepared to maintain order in the face of impending trouble. Essential therefore, that Embtel 261, January 20 ³ be answered without delay.

Even assuming that a satisfactory solution is reached by way of fulfilling the sixteen million dollar program set forth in Deptel 63, Jan-

¹ Not printed.

² Not found in Department of State files.

³ See footnote 4, p. 757.

uary 12, it is apparent that the arms and equipment which might be acquired will fall considerably short of requirements set forth in MAR-345 and 357. Consequently, we have explored (Embtel 321, January 23 ⁴ and Deptel 238, January 28) the possibility of utilizing other sources of supply. Excess stocks in Germany loom all the more important as the immediate pre-election period draws near. Admitting the general condition of EuCom excess stocks as reported in WAREX 59006, January 31 ⁵ and the administrative difficulties attendant upon the preparation of such excess stocks for shipment, every combat item which can be made available from US Army stocks in Germany will represent a significant contribution to the overall efficiency of Italian armed forces.

There is no other area on the periphery of the Russian orbit, with the possible exception of Greece, where internal strife is as imminent or the force of insurrection as well organized and equipped. I endorse the view of the Italian Government that the readying of the security forces is the highest priority task for the coming weeks. I therefore urge the Department to take all possible action to insure prompt and favorable action on the part of the JCS with a view to declaring surplus and earmarking for purchase by the Italian Government, such excess combat stocks in EuCom as may be found fit for use by the Italian armed forces.

DUNN

⁴In this telegram, not printed, Ambassador Dunn reminded the Department that "Without lists of equipment included in 16 million dollar program I am, of course, not in a position to discuss it further with the Prime Minister." (865.24/1-2348)

⁵Not found in Department of State files.

S/S-NSC Files, Lot 63 D 351, NSC 1 Series ¹

Report by the National Security Council ²

TOP SECRET
(NSC 1/2)

WASHINGTON, February 10, 1948.

THE POSITION OF THE UNITED STATES WITH RESPECT TO ITALY

THE PROBLEM

1. To assess and appraise the position of the United States with respect to Italy, taking into consideration the security interests of the United States in the Mediterranean and Near East Areas.

¹Serial master file of National Security Council documents and correspondence and related Department of State memoranda for the years 1947-1961, as maintained by the Executive Secretariat.

²NSC 1/2 is a revision of NSC 1/1, p. 724. In approving NSC 1/1 the National Security Council agreed that the report be revised no less than 45 days before the elections in Italy in the light of the political situation at that time.

ANALYSIS

2. The basic objective of the United States in Italy is to establish and maintain in that key country conditions favorable to our national security. Current US policies toward Italy include measures intended to preserve Italy as an independent, democratic state, friendly to the United States, and capable of effective participation in the resistance to Communist expansion.

3. The National Security Council has concurred in the following:

“ . . . The security of the Eastern Mediterranean and of the Middle East is vital to the security of the United States. . . . The security of the whole Eastern Mediterranean and Middle East would be jeopardized if the Soviet Union should succeed in its efforts to obtain control of any one of the following countries: Italy, Greece, Turkey, or Iran. In view of the foregoing, it should be the policy of the United States, in accordance with the principles and in the spirit of the Charter of the United Nations, to support the security of the Eastern Mediterranean and the Middle East. As a corollary of this policy the United States should assist in maintaining the territorial integrity and political independence of Italy, Greece, Turkey, and Iran. In carrying out this policy the United States should be prepared to make full use of its political, economic, and if necessary, military power in such manner as may be found most effective. . . . It would be unrealistic for the United States to undertake to carry out such a policy unless the British maintain their strong strategic political and economic position in the Middle East and Eastern Mediterranean, and unless they and ourselves follow parallel policies in that area. . . .”

4. The majority of the Italian people and the present Government of Italy are ideologically inclined toward the Western democracies, friendly to the United States and conscious of the fact that US aid is vital to Italian recovery. The Government is now under strong and persistent Communist attack aimed ultimately at the creation of a Communist dictatorship subservient to Moscow. The political position of the Communist party is stronger in Italy than in any other country outside the Soviet orbit. This strength stems primarily from the prevailing economic distress which is conducive to agitation and unrest, and secondarily from Communist success in obtaining election support from other left-wing parties through formation of a “People’s Bloc.”

5. The current Communist campaign of strikes and political agitation appears to be the preliminary phase of a major effort to take over the Government either by winning the national elections now scheduled for April, by use of the general strike to create chaos, or by armed insurrection. However, the Communists will probably not resort to the general strike or armed insurrection until the elections are over, possibly not until the US Congress has acted on the European Recovery

Program. If ERP is not implemented before expiration of US interim aid on March 31, or if rations are further reduced, the "People's Bloc" will be stronger in the April elections and may win participation in the government. If the Communists fail to gain admission to the government and if ERP is implemented, the Kremlin may then order armed insurrection in a final effort to prevent Italian recovery under a Western-oriented regime.³

At present a Rightist threat to democratic government in Italy is too remote to require consideration.

6. The Italian armed forces, although numerically adequate, require additional modern equipment in order to enhance their ability to cope with a general Communist armed insurrection. Under present circumstances, the Communists—with an estimated para-military organization of 70,000—are believed to have the military capability of gaining initial control of northern Italy. If the Communists should receive material covert assistance from Yugoslavia and/or France, and the insurrections should be widely dispersed throughout the country, the Italian Government would probably require foreign aid to regain control of the area.

7. Italy's position in the Mediterranean dominates the lines of communication to the Near East and flanks the Balkan countries. From bases located in Italy, it is possible for the power holding them to control Mediterranean traffic between Gibraltar and Suez, and to apply substantial air force against any point in the Balkans or the surrounding area.

CONCLUSIONS ⁴

8. The United States should make full use of its political, economic and, if necessary, military power in such manner as may be found most effective to assist in preventing Italy from falling under the domination of the USSR either through external armed attack or through Soviet-dominated Communist movements within Italy, so long as the legally elected Government of Italy evidences a determination to oppose such Communist aggression.

9. So long as the present or any other satisfactory successive Italian Government remains in power, the United States should maintain its policy of:

³ For documentation, on ERP, see pp. 352 ff., "The Diplomacy of the European Recovery Program: The OEEC Level".

⁴ In a memorandum dated March 16 for the National Security Council the Executive Secretary stated that on March 15 the President approved the conclusions of NSC 1/2 and directed that they be implemented. At the same time the President approved the conclusions of NSC 1/3 for which see p. 775.

a. Giving full support to the Italian Government by measures such as the following:

(1) Shipment of wheat and other essential commodities under the interim program of aid to Europe, one objective being the maintenance of the current bread ration at least until after the election in April.

(2) Extension of economic aid to Italy by means of favorable US foreign trade policies.

(3) Further assistance by all feasible means to the Italian armed forces in the form of equipment, supplies and technical advice to increase their capacity to deal with threats to Italian internal security and territorial integrity.

b. Continuing the display, with the concurrence of the Italian government in each case, of military forces in Italian waters and airspace.

c. Pressing for the relaxation of unduly onerous terms in the Italian Peace Treaty, and meanwhile interpret these terms liberally.

d. Continuing to support acceptance of Italy as a member of the United Nations.

e. Actively combatting Communist propaganda in Italy by an effective US information program and by all other practicable means

f. Vigorously seeking through diplomatic channels to bring about a more favorable attitude toward Italy on the part of the British and French Governments and to enlist their active support of our aims.

g. Making known the intention of the United States to insist upon compliance with treaty terms from all signatories and the determination of the United States to utilize to the full the machinery provided by the treaty itself, as well as procedures implicit in the Charter of the UN, in cases of violation of the treaty.

h. Urgently adopting and executing the European Recovery Program (ERP); and morally and materially encouraging effective Italian participation in this program.

10. US armed forces should not participate in a civil conflict of an internal nature in Italy; except as provided in paragraph 11 *g*.

11. In the event that a portion of Italy falls under Communist domination by armed insurrection or other illegal means, the United States should:

a. Suspend aid to Communist-dominated areas.

b. Continue to support the legal government and increase aid for areas under its jurisdiction.

c. Reconsider its position particularly as affected by the Italian Governments' ability to carry out the terms of the Peace Treaty.

d. Take measures to strengthen the potential of the U.S. National Military Establishment.

e. Strengthen its military forces in the Mediterranean area outside of Italy at such places and in such manner as would be deemed most effective.

f. Be prepared, upon request of the legal Italian government and

after consultation with the British, to deploy forces to government-controlled sections of peninsular Italy as a show of force in support of the legal government.

g. Deploy forces to Sicily or Sardinia or both, with the consent of the legal Italian government and after consultation with the British, in strength sufficient to occupy those islands against indigenous Communist opposition as soon as the position of the Communists in Italy indicates that an illegal Communist-dominated government will control all of the peninsula of Italy. Such deployment will be subject to the determination at the time by the Joint Chiefs of Staff that in the prevailing situation it is militarily sound. Such action would require partial mobilization.

12. A supplement to this paper, assessing the position of the United States with respect to Italy in the event that the Communists gain control in Italy by legal means, will be submitted as a separate paper at an early date.⁵ The National Security Council Staff will also in the near future prepare a report on the position of the United States with respect to the former Italian colonies.⁶

⁵ *Post*, p. 775.

⁶ See pp. 891.

S/S-NSC Files, Lot 63D351, NSC 1 Series

*Memorandum by the Executive Secretary, National Security Council
(Souers) to President Truman*

TOP SECRET

WASHINGTON, February 12, 1948.

Based upon consideration at its 6th Meeting, of the enclosed report (SANACC 390/1),¹ the National Security Council recommends that, despite the lack of specific legislative authority, you, acting within your plenary powers as Commander-in-Chief and as head of the State in its relations with foreign countries and for the purpose of protecting primary security interests of the United States and of United States Armed Forces in Europe, direct the transfer to Italy from stocks now held or to be procured by United States Armed Forces, subject to reimbursement to the forces concerned, of all or any portion of certain limited quantities of military equipment and supplies requested by the Italian Government and considered by the U.S. Secretary of Defense to be essential in order to increase in so far as practicable the potential ability of Italian security forces to maintain the internal security of Italy and to suppress anticipated attempts by subversive elements to seize power by force.

Under this program it is planned that the Secretary of State will

¹ *Ante*, p. 757.

arrange for the necessary reimbursement to the forces concerned from the Italian Government.²

The National Security Council recommends that you direct that the actions contemplated above be implemented by all appropriate Executive Departments and Agencies of the U.S. Government under the coordination of the Secretary of State.³

SIDNEY W. SOUERS

² In a letter of February 17, 1948, to the Secretary of Defense, not printed, the Under Secretary of State referred to the fact that the equipment could not be delivered in time to be of assistance in the period of the elections, and indicated that therefore the Italian program should not be given a priority which would interfere with the Greek-Turkish program. He urged that the U.S. should nevertheless go ahead with the program because of its psychological importance to Italy (865.24/2-1748).

³ In a memorandum of February 13 for the National Security Council the Executive Secretary recorded: "The President has this date approved the recommendations of the National Security Council contained in the enclosed memorandum, and directs that they be implemented by all appropriate Executive Departments and Agencies of the U.S. Government under the coordination of the Secretary of State." (S/S-NSC Files, Lot 63D351, NSC 1 Series)

S/S-NSC Files, Lot 63D351, NSC 1 Series

*Memorandum by the Joint Chiefs of Staff for the Secretary of Defense*¹

TOP SECRET

WASHINGTON, February 19, 1948.

Subject: The Position of the United States with Respect to Italy

In response to your oral request to the Director, Joint Staff, the Joint Chiefs of Staff submit herewith their views on NSC 1/2.²

With reference to paragraph 9 *a* (3) of NSC 1/2, it should be noted that, while it would be possible to assist the Italian armed forces with military equipment and supplies, all of the equipment and supplies requested could not be in the hands of Italian Armed Forces for effective use prior to the election scheduled for April 18, except for air shipment of limited quantities of small items such as ammunition and for such items of ammunition as may be available in EuCom. Moreover, should provision of this equipment and supplies to the Italian armed forces be given priority over the Greece and Turkey programs, delivery of equipment scheduled for support of an offensive by Greek Government forces this spring would be delayed with corresponding jeopardy to the success of the offensive, and the Turkey program,

¹ James Forrestal. Under cover of a memorandum of February 27, not printed, copies of this memorandum were sent to the Secretary of State, the Secretary of the Army (Kenneth C. Royall), the Secretary of the Navy (John L. Sullivan), the Secretary of the Air Force (W. Stuart Symington), and to the Chairman of the National Security Resources Board (Arthur M. Hill). (S/S-NSC Files, Lot 63D351, NSC 1 Series)

² *Ante*, p. 765.

which is already considerably behind schedule, would be further retarded.

There is a need for a decision on the highest level concerning the priority to be accorded United States military assistance to Italy, Greece and Turkey to enable the Joint Chiefs of Staff to give sound military advice on papers concerning the position of the United States with respect to these areas.

With reference to paragraph 11 *e*, the United States could strengthen its naval and air forces in the Mediterranean area outside of Italy without dangerously lowering its available reserve of such forces. However, deployment of ground forces in the same area would require commitment of part or all of our reserve in this category, a reserve which, in view of our extended military position, is already dangerously low. This should not be done unless a partial mobilization is undertaken to enable the United States to have available a comparatively large, trained strategic reserve with which to reinforce units outside the United States if required.

Implementation of the actions outlined in either paragraph 11 *f* or 11 *g*, regardless of whether or not the British concur and offer such assistance as they are able to give, would entail serious risks of global warfare and, in the opinion of the Joint Chiefs of Staff, should be preceded by mobilization.

From the military point of view it is unrealistic to conclude that the United States should, if necessary, make full use of its military power to prevent Italy from falling under the domination of the USSR, unless the United States has available sufficient military forces to accomplish this objective, particularly when identical conclusions have been approved concerning the use of these same limited forces in other areas to accomplish like objectives.

For the Joint Chiefs of Staff:

WILLIAM D. LEAHY

Fleet Admiral, U.S. Navy,

Chief of Staff to the

Commander in Chief of the Armed Forces

865.24/2-1948 : Telegram

The Secretary of State to the Embassy in Italy

TOP SECRET URGENT WASHINGTON, February 19, 1948—6 p. m.

Niact 461. State Army Navy Air Forces Coordinating Committee (SANACC) has approved paper (SANACC 390/1)¹ on Provision of

¹ *Ante*, p. 757.

US Equipment to Ital Armed Forces (copy to you by air pouch) and President, on recommendation NSC, has directed transfer to Italy (by US Armed forces), subject to reimbursement to forces concerned, of equipment and supplies Deptel 63 Jan 12. In separate tels Army and Navy advising MA and NA items, cost and estimated time delivery.

Dept must stress transfer dependent reimbursement and that no action involving expenditure funds can be initiated until payment received. Although we cannot emphasize too strongly great impetus to most efficient and expeditious delivery which payment full charges in advance would have, deliveries could be begun various items as and when funds become available to cover costs and charges items involved.

In event you consider probable delay acceptance entire program, suggest you urge PriMin immediately accept and arrange payment charges for items Deptel 2638 Dec. 17² or other items most urgently required which would prove effective in early reinforcement security forces. In this way at least some action could be initiated immediately.

Cost entire program reduced from approx sixteen million to approx ten million by means application "Greek-Turkish" pricing formula. In your conversations PriMin you may desire stress extremely favorable pricing which makes possible transfer non-surplus items on most favorable possible terms and transfer surplus items without cost except actual charges incurred in handling. For your info every consideration has been given declaration additional items as surplus, however, shortages our own essential forces and extremely difficult budgetary position armed forces absolutely precludes declaration as surplus items requiring immediate replacement through new procurement at prices inordinately higher than during wartime production.

Dept responsible arrangement necessary reimbursement to forces concerned before further progress can be made here. As you will see from Army and Navy tels, delivery schedules, which must be coordinated with top priority Greek-Turkish programs, leave dangerously small margin of time to effect deliveries prior anticipated critical period. Every day delay Ital agreement and actual transfer necessary funds, further postpones initiation delivery preparations here.

It is therefore of utmost importance Itals expedite agreement and completion necessary financial arrangements.

Surplus items indicated in Army's tel to MA³ can be transferred under existing Bonner-Corbino Agreement.⁴

MARSHALL

² Not printed.

³ In telegram 791 of February 24, 1948, not printed, Dunn reported that he had transmitted the substance of niact 461 to De Gasperi (865.24/2-2448).

In MAR 53 of the same date, not printed, the Military Attaché, Colonel Willems, reported that the message had been delivered but there was no indication of the nature of the reply except that the Italians indicated willingness to accept matériel at the German border on an "as is" basis (865.24/2-2448).

⁴ See *Foreign Relations*, 1946, vol. v, p. 932, bracketed note.

865.24/3-148

The Secretary of the Army (Royall) to the Secretary of State

TOP SECRET

WASHINGTON, March 1, 1948.

DEAR MR. SECRETARY: The Department of the Army has initiated the carrying out of the recommendations of the National Security Council in its memorandum for the President dated February 12, 1948 (JCS 553/17), approved by the President on February 13, 1948,¹ which envisages the transfer of certain limited quantities of military supplies and equipment to Italy.

Steps have been taken to recover from the British, through recapture of lend lease equipment located in Egypt, some 20,000 ready for issue caliber .45 Thompson submachine guns. In addition, it is expected to obtain from the same source a certain amount of unserviceable submachine guns which may be disassembled to provide spare parts or be repaired by the Italians. These guns will be transferred to the Italian Government under existing credits.

Separate action has been initiated to transfer to the Foreign Liquidation Commission for sale to the Italian Government under existing credits, certain excess equipment located in Germany. This equipment consists of 12,000 caliber .30 carbines, 10,000 caliber .45 pistols, 180 caliber .30 machine guns, 80 caliber .50 machine guns, 150 M8 armored cars and 120 light tanks. The foregoing equipment must be accepted by the Italian Government at the German border in an "as is" condition, inasmuch as the European Command is totally unable to repair this equipment due to lack of spare parts and repair facilities. The Italian Government has indicated willingness to accept this equipment under these conditions.²

With respect to that portion of the property which must be obtained from stocks of the U.S. Armed Forces, the proceeds of reimbursement for such property cannot under present law be made available to and used by the Armed Forces to purchase replacement property, but must be deposited in the Treasury.

The recommendation of the National Security Council, approved by the President, directed "the transfer to Italy from stocks now held or to be procured by the United States Armed Forces, subject to reimbursement to the forces concerned," Since it has now been determined that any funds received from Italy for the sale of non-surplus property must be deposited in the Treasury, such funds cannot go to the Armed Forces for reimbursement.

However, in view of recent developments in Europe and the menace to our troops there, the immediate shipment of the required non-surplus supplies has been initiated. It is requested that the President

¹ See footnote 3, p. 770.

² See footnote 3, p. 772.

send the Secretary of the Army an authorization, proposed letter³ enclosed, in the form of a validation of the action already taken and a directive to proceed with the shipments.

Sincerely yours,

KENNETH C. ROYALL

³The draft was amended March 5 and 6, in order to take into consideration the necessity for Presidential authorization of requisite action by the Department of the Navy as well as by the Department of the Army (Hickerson memorandum to the Secretary and attached draft, March 6, 1948, 865.24/3-148).

The draft was again revised in response to the letter of the Secretary of the Navy to the Secretary of State, March 9, 1948 (865.24/3-948).

865.24/3-348 : Telegram

The Secretary of State to the Embassy in Italy

SECRET URGENT

WASHINGTON, March 5, 1948—noon.

592. Urtel 904 Mar 3.¹ At press conference Mar 3, Under Secretary questioned re report Ital Govt had requested US send certain arms to Italy; requested to confirm or deny report, and state what we are contemplating doing. Lovett replied "I can deny that." He stated report re request for something like thirty thousand machine-guns or hundred thousand rifles is "completely groundless". He added "de Gasperi has not requested any such assistance". Off the record Under Secretary added he would prefer not to have Dept comment on reports this nature. He told reporters he assumed they were aware that during war, after Ital armistice when Italy a co-belligerent was fighting against Germany, certain Ital troops were equipped by Allies. He added that Ital Govt has been obtaining through surplus Allied materials over a period of time. Lovett said that this the only information Dept has and that this may have been basis for story. He stated

¹ In this telegram, not printed, Dunn mentioned an Agence France press report which he believed to be the same as Drew Pearson's report; and he suggested that the Department follow the same line as the comment authorized by the Italian Government (865.20/3-348).

In niaet 887 of March 2, not printed, Dunn gave the text of comment prepared by the Italian Government: "Information is completely baseless (the Italian Government has neither sought nor obtained from Department of State weapons of any sort either to meet with possible disorders during elections or for any other aim).

"All material in possession of Italian armed forces comes from Italian deposits and from Allied surplus deposits obtained through year in accordance with agreements duly stipulated with Allies and within limits laid down by peace treaty." (865.20/3-248)

In telegram 920 of March 3, not printed, Dunn forwarded, in translation, Facchinetti's statement as reported in *Messaggero*: "report is lacking in foundation. Italian Government has neither requested nor obtained from American State Department arms of any kind either to meet possible election disorders or for any other purpose. All material of Italian armed forces comes from national depots and from Allied surplus war material camps through ARAR on basis of agreements previously concluded with Allies and within limits provided by peace treaty." (865.20/3-348)

also for background that he did not know whether Itals had been buying this material or acquiring it from surplus stocks but that whatever amounts were involved are within treaty limitations. (End press conference comment.)

You may desire issue statement from Embassy along lines Lovett's on the record comments above.

While we agree desirability deny this false rumor, de Gasperi must realize continuing deliveries equipment involved in program now under negotiation will certainly be observed and become general knowledge. Accordingly, we consider he must be prepared to explain deliveries. We believe explanation that deliveries are in furtherance re-equipment program undertaken by Allies during early days Itals co-belligerency could be easily defended by Ital Govt as legitimate program within treaty limits entirely compatible and essential to Italy's vital security interests.²

MARSHALL

² In telegram 935 of March 4, not printed, Dunn reported that the statement by Under Secretary Lovett in the press conference was reported in four of the leading Roman newspapers (865.20/3-448).

S/S-NSC Files, Lot 63D351, NSC 1 Series

Report by the National Security Council

TOP SECRET

WASHINGTON, March 8, 1948.¹

POSITION OF THE UNITED STATES WITH RESPECT TO ITALY IN THE LIGHT
OF THE POSSIBILITY OF COMMUNIST PARTICIPATION IN THE GOVERN-
MENT BY LEGAL MEANS (NSC 1/3)

THE PROBLEM

1. To assess and appraise the position of the United States with respect to Italy in the light of the possibility that the Communists will obtain participation in the Italian government by legal means.

ANALYSIS

2. United States security interests in the Mediterranean are immediately and gravely threatened by the possibility that the Italian Communist-dominated People's Bloc will win participation in the government in the April national elections and that the Communists will thereafter, following a pattern made familiar in Eastern Europe, take over complete control of the government and transform Italy

¹ The document here printed is a report to the Council by the Executive Secretary on March 8, for consideration by the Council concurrently with NSC 1/2 at its next meeting scheduled for March 11.

into a totalitarian state subservient to Moscow. Such a development would have demoralizing effect throughout Western Europe, the Mediterranean, and the Middle East. Militarily, availability to the USSR of bases in Sicily and southern Italy would pose a direct threat to the security of communications throughout the Mediterranean.

3. The present Italian Government is essentially Christian Democratic, although minor moderate parties are also represented. Its strength is derived from the active support of the Church and from popular identification with U.S. aid, without which the Italian economy would collapse. The survival of this politically moderate, anti-Communist Government is at stake in the national election scheduled for 18 April. The Communists, foregoing armed insurrection for the time being, are exerting every effort to achieve an electoral victory for the People's Bloc, in which they are associated with the Nenni Socialists and minor leftist parties. To this end they are vigorously exploiting legitimate economic grievances, social unrest, and the pervading fear of vengeance in the event of Communist domination, most recently stimulated by the Communist coup in Czechoslovakia. Aided by timely announcements of Soviet policy designed to appeal to Italian nationalist sentiments, such as those with respect to the former Italian colonies and to Tangier, and supported with ample funds, their well organized and dynamic electoral campaign is proving dangerously effective. It bids fair to overwhelm the poverty stricken anti-Communist parties by sheer preponderance of electoral expenditures. One of its most telling strokes is the assertion, as yet undenied by the U.S., that the People's Bloc, when elected, will continue to receive U.S. aid as surely as would the Christian Democrats.

4. Should the election be held today, the best result that could be hoped for would be that the People's Bloc would obtain no more than a plurality, which would not of itself prevent the formation of a majority coalition of anti-Communist parties under Christian Democratic leadership. If, however, the current trend continues unchecked until election day, a People's Bloc majority is not improbable. Six weeks remain during which the United States might, by timely aid to the moderate Italian parties, check the current trend or even reverse it. Such aid would be far less onerous and would have greater prospect of success than the measures which might have to be adopted should a People's Bloc victory at the polls result in Communist participation in and eventual control of the Italian Government.

5. Operating behind the facade of the People's Bloc, the Communists would seek absolute control of Italy, first through the control of key ministries, such as those of the Interior, Justice, Communications, and Defense, then through a discreet but rapid infiltration of

the armed forces, the police, and the national administration. The end of the process would be a totalitarian police state, but that result could not be accomplished overnight. Even if the People's Bloc were to win a clear majority in the election, an indeterminate interval would be required to transform a People's Bloc parliamentary government into a Communist dictatorship and the trend in that direction might yet be reversed. Even in that case, then, the United States would still have one final chance to prevent Communist control of Italy.

6. A number of considerations indicate that a final effort to save Italy might have some chance of success. No Italian Government can maintain the national economy at the current level, much less improve it, without substantial U.S. aid. A majority of the Italian people would probably remain non-Communist and ideologically oriented toward the West. The Nenni Socialists, the Communists' principal partners in the People's Bloc, are not perfectly reliable from the Communist point of view. The parties of the Center and Right might retain considerable popular support and be disposed to offer a desperate final resistance to Communism. The Italian armed forces are strongly anti-Communist and would for the most part remain so until thoroughly purged and reindoctrinated. Demonstration of a firm United States opposition to Communism and assurance of effective United States support might encourage non-Communist elements in Italy to make a last, vigorous effort, even at the risk of civil war, to prevent the consolidation of Communist control.

7. If despite all efforts the Communists should succeed in seizing complete control of the Italian government, it would be necessary for the United States to adopt measures designed to minimize the effects of Communist domination of Italy and to facilitate continued opposition to it.

CONCLUSIONS ²

8. Between now and the April elections in Italy, the United States should as a matter of priority immediately undertake further measures designed to prevent the Communists from winning participation in the government, as a result of these elections. In addition to the measures in par. 9 of NSC 1/2, the United States should: ³

[Here follow recommendations of measures to assist the Italian government.]

² In a memorandum of March 12, not printed, the Executive Secretary stated that "the President has approved paragraph 8 of NSC 1/3" and that he "directs that the conclusions in that paragraph be implemented by all appropriate Executive Departments and Agencies of the U.S. Government under the coordination of the Secretary of State." (Executive Secretariat Files)

³ In a memorandum of March 16, not printed, the Executive Secretary noted that the President had on March 15 approved the Conclusions of NSC 1/3 along with those of NSC 1/2. See footnote 4, p. 767.

c. Urge key members of Congress to announce immediately that the attitude of the American people is such that they would never support economic assistance to Italy if its government included parties inimical to the United States.

d. Announce without delay, after informing the British and French Governments, that the United States supports an immediate revision of the Peace Treaty that will provide for the return of Trieste to Italy.

e. Exploit as soon as possible and by all possible means the delay of the Soviets in the readmission of Italy into the Tangier International Regime.

f. Immediately initiate in this country, and encourage in Great Britain and France, a campaign of speeches by government officials and private individuals, including labor leaders, and a letter-writing campaign by private citizens, regarding the political issues in Italy.

g. Press for the immediate inclusion of Italy in negotiations for western union and the announcement thereof by the British and French.⁴

h. Announce at once that the U.S. favors Italian participation in allied consideration of German economic questions.

9. In the event the Communists win participation in the Italian Government by legal means, the United States should continue its efforts to prevent Communist domination of Italy. At the same time the United States should initiate measures designed to minimize the effects of Communist domination and to facilitate continued opposition to it should it be achieved. In furtherance of this basic objective, the United States should:

a. Strengthen the military position of the United States in the Mediterranean area.

b. Take measures to strengthen the potential of the US National Military Establishment.

c. Continue economic aid to Italy only so long as it assists in combatting Communist control in Italy. If aid is terminated, the onus should be placed upon the Italian Communist Party.

d. Provide military equipment and supplies to Italy only if such equipment and supplies are received by anti-Communist elements and are not permitted to fall into Communist hands.

e. Continue efforts, by all feasible means . . . to detach the Italian Left-wing socialists from the Communists.

f. Continue to assist the Christian Democrats and other selected anti-Communist parties

g. Intensify the US information program with respect to Italy to the point where it becomes a full-scale, vigorous and openly anti-Communist campaign along the lines of the wartime anti-Nazi program for Italy.

⁴ See *Ante*, pp. 1 ff.

h. Reconsider the US position on the Italian Peace Treaty in the light of the actions and attitudes of the Italian government.

i. Continue support of the Italian application for membership in the United Nations.

j. Maintain the position of the United States in Trieste on the basis of the Peace Treaty unless the Treaty is amended.

k. Review, in light of the situation in Italy, the adequacy of United States aid to Greece and Turkey, as well as to the present government of France.

10. In the event the Communists obtain domination of the Italian government by legal means, the United States should :

a. Immediately take steps to accomplish a limited mobilization, including any necessary compulsory measures, and announce this action as a clear indication of United States determination to oppose Communist aggression and to protect our national security.

b. Further strengthen its military position in the Mediterranean.

c. Initiate combined military staff planning with selected nations.

d. Provide the anti-Communist Italian underground with financial and military assistance.

e. Oppose Italian membership in the United Nations.

S/S-NSC Files, Lot 63D351, NSC 1 Series

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Secretary of State*

TOP SECRET

WASHINGTON, March 8, 1948.

Subject: JCS Comments on NSC 1/2, "The Position of the United States with Respect to Italy."

The following comments are submitted in connection with the Joint Chiefs of Staff memorandum of February 19 to the Secretary of Defense containing the JCS views on NSC 1/2.¹

The JCS comment on paragraph 9 a (3) of NSC 1/2 to the effect that military equipment and supplies for Italy cannot be in the hands of the Italian armed forces for use prior to April 18, except for air shipments of limited quantities of small items and items available in EuCom, is no longer valid as we have now informally been advised by the Department of the Army that implementation of delivery of the equipment listed in SANACC 390/1² has already been ordered and that excepting for heavy equipment such as tanks and vehicles,

¹ *Ante*, p. 765.

² *Ante*, p. 757.

it is anticipated that there is a good possibility that all items can be delivered by April 1.

With regard to JCS comment concerning the need for a decision on the highest level concerning priority to be accorded U.S. military assistance to Italy, Greece, and Turkey, it is believed that it would be impracticable to set forth a hard and fast priority as amongst the three programs. In the Secretary's letter of February 17 to Secretary Forrestal,³ the Department recommended that a secondary priority should be accorded the Italian program with respect to the Greek-Turkish program. This decision referred only to the limited program envisaged in SANACC 390/1 and was taken in the light of the Army Department's statement that even the highest priority, which would interfere with delivery of supplies required for the Greek spring offensive, would not enable delivery of the Italian supplies prior to April 18. In the light of that situation, EUR agreed that no useful purpose would be served by the establishment of a superior priority for the Italian program. It was agreed in principle that the Italian program should rank "with but after" the Greek-Turkish program, but that every effort should be made to expedite Italian deliveries. As things have worked out, the Army's estimate of the time required for delivery of the Italian program proved overly pessimistic and on the basis of the "secondary" priority accorded the Italian program it now appears that substantial deliveries can be made in time to be effective in connection with control of disturbances anticipated during and immediately after the election.

It is believed that the equally vital importance of the Greek-Turkish, Italian, Iranian, and probably also Korean and Chinese situations, must be recognized, and that only on the basis of consideration of each individual operation within each program in its relationship to our limited capabilities and in relationship to all other operations can realistic priorities be established.

While the JCS comment on paragraph 11 *e* would appear to be valid and pertinent, this is a matter for military assessment. We can, of course, give our full support to any measures which the United States Military Establishment might feel are required to meet the needs of the situation.

This observation is pertinent also to JCS comments concerning paragraphs 11 *f* and 11 *g* NSC 1/2, as well as to the final paragraph of the JCS memorandum under reference.

³ See footnote 2, p. 770. The letter was signed by Lovett, the Under Secretary.

865.24/3-148

President Truman to the Secretary of Defense (Forrestal)

TOP SECRET

WASHINGTON [March 10, 1948].¹

MY DEAR MR. SECRETARY: Conditions in various localities in Europe have become such as to constitute a real menace to our troops and a threat to the primary security interests of the United States. Accordingly, I have determined that the immediate acquisition by Italy of the munitions and matériel covered in the memorandum from the National Security Council which I approved on February 13, 1948,² is in our national interest.

Consequently, I direct that immediate steps be taken to expedite the assistance to Italy covered in that memorandum, even though some portion or all of the proceeds of reimbursement which may be received for the munitions and matériel may not be made available under existing law to the armed forces for replacement of certain portions of the equipment and to defray the cost of packing, crating, and shipping, but which reimbursement must be deposited in the Treasury.

I hereby validate the steps already taken to comply with these instructions.

Sincerely yours,

¹ The text here printed is from the draft copy in the files of the Department of State and bears no signature, no date.

An attached "Note for File," by W. B. Sale, states: "The attached letter was (according to S/S Mr. Humelsine) signed by the President on March 10, 1948."

The draft was forwarded to the President under cover of a memorandum by Secretary Marshall, not printed, dated March 10, 1948 (865.24/3-148).

² See p. 770, footnote 3.

865.24/3-1048: Telegram

The Secretary of State to the Embassy in Italy

SECRET

URGENT

WASHINGTON, March 10, 1948—5 p. m.

Niact 635. Re Army's tel WARX 97122 March 7¹ which you have seen, President today approved amendment his directive approving

¹ This telegram, not printed, was sent March 5, 1948, by the Plans and Operations Division, General Staff, U.S. Army to the Military Attaché in Italy and to Headquarters, EuCom in Frankfurt, Germany. It advised that the reimbursement feature of the President's directive was not yet resolved but that in view of the urgency of the situation the Department of the Army issued instruction to make immediate shipment to Italy of all items listed in the Army list, part one of the list of matériel of February 19 (WARX 96225). The Military Attaché was to inform the Ambassador of the message but to make no contact with members of the Italian Government on the subject until so directed by the Department of State. (Department of Defense Files)

WARX 96225 is also referred to in footnote 3, p. 789.

SANACC 390/1 to permit delivery items without reference prior reimbursement to forces concerned.² Accordingly, you are authorized propose Ital Govt agree immediately acceptance full program subject only formal agreement to reimbursement amounts indicated Army and Navy tels at such time most convenient Ital Govt but prior to close current fiscal year.

In anticipation Ital acceptance in toto equipment offered Deptel 461 Feb 19 and related Army and Navy tels, and in order make possible earliest delivery to Italy, Dept Army ordered initiation movement of items both in ZI and EuCom preparatory delivery. As consequence, operations well advanced and delivery expected most items before early April. Navy advises naval items ready for shipment promptly upon notification Ital agreement accept. In view advance status delivery operations and serious dislocating effect non-acceptance program substantially as offered, you shd urge PriMin immediate acceptance entire program with undertaking eventual reimbursement in order deliveries may be made accordance plans now in operation.

In view operational urgency, require your immediate comments.

MARSHALL

² See *supra*.

S/S-NSC Files, Lot 63D351, NSC 1 Series

Memorandum by the Joint Chiefs of Staff for the Secretary of Defense
(Forrestal)¹

TOP SECRET

WASHINGTON, March 10, 1948.

Subject: The Position of the United States with Respect to Italy in the Light of the Possibility of Communist Participation in the Italian Government by Legal Means.

In accordance with your informal request, the Joint Chiefs of Staff have studied a draft report prepared by the National Security Council staff entitled, "Position of the United States with Respect to Italy in the Light of the Possibility of Communist Participation in the Government by Legal Means" (NSC 1/3) forwarded by you on 8 March 1948 and scheduled for consideration by the National Security Council on 11 March 1948.

The Joint Chiefs of Staff have reviewed this paper to the extent possible in the very brief time available, and have limited their comments to those portions having apparent major military implications.

With reference to the conclusion in paragraph 9 *a* to the effect that the United States should strengthen its military position in the Mediterranean area, little action, except increase of our Mediter-

¹ Copies were sent also to the Secretary of State, to the Chairman of the National Security Resources Board, to the Secretary of the Army, to the Secretary of the Navy, and to the Secretary of the Air Force.

anean naval force, could be taken that would not involve actual stationing (with prior political arrangements) of United States forces either in Italy or its islands or on some other foreign territory such as Malta or Tripoli. As for forces available, the Joint Chiefs of Staff would reiterate the following comment made in their memorandum to you dated 19 February 1948 in connection with their study of NSC 1/2:

“ . . . The United States could strengthen its naval and air forces in the Mediterranean area outside of Italy without dangerously lowering its available reserve of such forces. However, deployment of ground forces in the same area would require commitment of part or all of our reserve in this category, a reserve which, in view of our extended military position, is already dangerously low. This should not be done unless a partial mobilization is undertaken to enable the United States to have available a comparatively large, trained strategic reserve with which to reinforce units outside the United States if required.”

The Joint Chiefs of Staff believe that the over-all world situation, of which that in Italy is only a part, dictates the necessity for strengthening immediately the potential of our National Military Establishment. Some form of *compulsory military service* is essential if timely and effective strengthening of our potential is to be achieved, since this is the only method short of mobilization which can produce desired results without long delay. The foregoing does not exclude the desirability of Universal Military Training but it is only from the long-range point of view that initiation of such training will be useful.

In view of the time elements involved in obtaining authorizations and appropriations and then in implementing any strengthening of the National Military Establishment (including selective service), it is the opinion of the Joint Chiefs of Staff that, if it be determined that it is essential to strengthen the potential of the National Military Establishment, measures to accomplish this should be initiated at once.

Regarding subparagraph 10 *a*, which concludes that, if the Communists obtain domination of the Italian Government by legal means, the United States should immediately take steps to accomplish a limited mobilization, the Joint Chiefs of Staff would point out that neither limited nor general mobilization will result in appreciable augmentation of our combat strength for at least one year after mobilization is actually initiated.

It must be emphasized that decision as to the timing of steps to accomplish any mobilization should take into full account the inherent lag between such steps and the combat availability of resultant forces.

For the Joint Chiefs of Staff:

WILLIAM D. LEAHY,
Fleet Admiral, U.S. Navy,
Chief of Staff to the
Commander in Chief of the Armed Forces

865.24/3-1248 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET URGENT

ROME, March 12, 1948—noon.

Niact 1062. RefDeptel 635, March 10. I explained fully to Prime Minister status of equipment. He expressed deepest gratitude to US Government for friendly and helpful manner in which we are making provision for Italy and particularly for the financial arrangement and asked me to explain that in view of the stage at which political situation and electoral campaign, in full swing here now, have developed he cannot agree to have shipment made before electoral date April 18 or arrivals in Italy occur before 15 May. He said he still wants the equipment requested and his desire not to have it shipped now is due to his judgment as to the adverse effect such shipment would have at this stage upon the electoral campaign. He said the government has seized large quantities of arms in the hands of Communists; is continually tracking down other such holdings; government has made progress in increasing the strength and equipment of internal violence with strongest possible resistance.

He said assistance must be viewed now in light of its effect on the elections. Anything helpful to victory must be undertaken and anything which would put in jeopardy such a victory must be put aside or postponed until after the election. He said the Communists are playing upon the fear of war on the part of all Italians and shipments of this equipment would be seized upon with avidity by Communists propaganda and would be detrimental to campaign he is now waging for democratic victory. It is his considered judgment that his cause would not be helped by agreeing to shipments now and if arrangements for shipping were made before April 18 tide of elections might be turned against him.

Reports coming from Washington of shipment of arms to Italy have caused government here to be put on defensive against Communist attacks and I hope therefore that every precaution will be taken to keep this discussion completely secret.¹

DUNN

¹ See p. 774, footnote 1.

865.24/3-1248 : Telegram

The Secretary of State to the Embassy in Italy

TOP SECRET URGENT

WASHINGTON, March 12, 1948—9 p. m.

Niact 677. Personal for Ambassador's eyes only from Hickerson and Dowling. De Gasperi's decision as reported urtel 1062 Mar 12 has of

course come as complete surprise. On basis repeated requests for urgent action, which stressed vital importance this program, as well as on basis informal assurances De Gasperi's personal endorsement (CA 46 from Stilwell), ships in US and trains in EuCom were actually standing by awaiting final instructions which were to have been issued immediately upon receipt favorable reply Deptel 635 Mar 10.

We wonder therefore if PriMin took foregoing wholly into account, and if he was fully aware postponement at this stage would mean no commitment could be given for future implementation this or similar program. At very best, postponement means many weeks intensive work will have been lost. We should have to begin again almost immediately to have any chance of getting eqpt to Italy in May, and to begin again we obviously must have without much delay firm assurance reimbursement.

We agree Communists will endeavor make political capital out of US eqpt to Ital armed forces, but are convinced this propaganda will be continued regardless of any factual basis. Has PriMin considered whether Communist propaganda is not in fact intended to prevent any strengthening forces upon which Ital Govt would have to depend for maintenance law and order, and whether postponement of program would not play directly into their hands.

In brief, has De Gasperi fully realized gravity of decision he is making. We want your own views this regard before considering whether you shd take matter up again with him.³ [Hickerson and Dowling.]

MARSHALL

³ In niact 1112 of March 13, not printed, Dunn reported that he had explained to De Gasperi all of the points of the instruction, that De Gasperi thoroughly understood the background, and that he, Dunn, believed there would be no use in a further approach at this time (865.24.3-1348).

865.24/3-1348 : Telegram

The Secretary of State to the Embassy in Italy

TOP SECRET URGENT

WASHINGTON, March 13, 1948—5 p. m.

Niact 680. Personal for Ambassador's eyes only from Hickerson and Dowling.

Since De Gasperi has taken into account (urtel 1112 Mar 13)¹ all points suggested Deptel 677 Mar 12, postponement eqpt for Ital armed forces is more than ever disturbing. If program is of vital importance which all indications lead us to believe—and it is surely unwise to assume Communists would meekly accept electoral defeat without

¹ See footnote 3, above.

resort to direct action—then decision, taken in conjunction FonOff view reported urtel 1047 Mar 11,² reflects either *a*), attitude of defeatism, presumably arising primarily from Czech developments, which means Ital Communists have already achieved one major objective, i.e., intimidation of Ital Govt so as to preclude positive action in self-defense; or *b*), that Ital Govt has been lulled into feeling false security, which serves equally well for attainment ultimate Communist aims.

Thus decision may adversely affect US national interest, which requires maintenance Italy as stable, independent nation, by denying to Ital armed forces eqpt which is essential if they are to cope successfully with any Communist attempt to seize power. Implications thereof must be carefully considered in connection studies outlined Deptel 660, Mar 11,³ since liability for US and Western powers may be much heavier than we had estimated. Pls let us have your view this regard.

Re last para urtel 1112, you are of course aware of heavy demands from many sources for limited availabilities US eqpt. We could not hold large quantities eqpt now assembled on mere chance Itals might decide in future eqpt might be needed, and if eqpt is returned to points of origin, time and effort expended in getting it together would have to be duplicated. Only basis on which programmed eqpt might possibly be held briefly for Itals would be immediate assurance of eventual reimbursement plus firm agreement on early shipping date.

We accept view there is no use proposing De Gasperi reverse decision. In view of gravity of matter, however, we feel he must not be left under any illusion he can expect to receive eqpt as desired at some specified future date. We think you shd therefore see him at once to explain that only with greatest effort has it been possible assemble requested eqpt; that his decision has come as complete surprise in view of urgency which he had insisted upon and in which we continue to believe; and that survey shows no possible arrangement which would permit scheduling shipment as desired by him. We would be glad, if he desires, to endeavor to work out with Dept of Army arrangements for brief temporary storage at points embarkation; we do not yet know if this can be done, and in any event he must realize that in fairness to other claimants for limited availabilities US eqpt we could attempt such arrangements only if we receive from him at once assurance of eventual reimbursement as well as firm agreement shipment can be made at reasonably early and mutually satisfactory date. Otherwise, he must understand, no commitment can be undertaken for

² In this telegram, not printed, Dunn reported a conversation with the Undersecretary for Foreign Affairs who gave the view that Italy's position with regard to "Western Union" was very delicate as long as the Yugoslavs could occupy the Veneto whenever they would wish: Italy would need a military guarantee (840.00/3-1148).

³ *Ante*, p. 45.

future implementation this or any similar program.⁴ [Hickerson and Dowling.]

MARSHALL

⁴ In niact 1137 of March 15, not printed, Dunn reported that De Gasperi planned to consult Einaudi, Facchinetti, and General Trezzani, and that he had asked whether the matériel could be shipped to Germany to be held for delivery in Italy about May 15 (865.24/3-1548).

865.24/3-1848 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET URGENT

ROME, March 18, 1948—1 p. m.

Niact 1195. Prime Minister has now notified me that his consultation with Einaudi, Facchinetti and Trezzani has resulted in his being ready to bind Italian Government to arrangement along following lines:

1. Shipment through Bremerhaven and by rail through zone of occupation in Germany with entry of material into Italy after April 18. Exception can be made for prior receipt such supplies as can be sent to Bolzano without their being discovered.

2. Full acceptance of American offer and payment of amount stipulated before June 30. He is ready to sign appropriate document to this effect. It is understood that cost may be increased because of longer journey required through Germany and that it would also be changed to accord with any reduction caused by non-delivery of materials.

3. General Trezzani is authorized to specify exact delivery arrangements.

De Gasperi again expressed his appreciation and reiterated his firm resolve to face issue of Communism through to end. He seemed confident and resolute.

I hope Department can succeed in persuading military authorities to make shipments through Germany as requested.¹ Prime Minister

¹ In MAR 97 of March 18, unnumbered to the Department, not printed, Colonel Willems vigorously urged that every effort be made to accommodate De Gasperi, emphasizing "that the initial goal toward which all efforts must be bent is electoral defeat of Communist Socialist block. There is no justification in abandoning confidence in sensitivity of De Gasperi to political implications pre-election period and it would appear doubly important now that we continue lend assistance to his Government in every practical manner."

Regarding shipment of equipment now located in Germany, which De Gasperi viewed in a different light, Colonel Willems stated: "OFLC has sold to Italian salvage combine as scrap approximately 70,000 tons US surplus ammunition for demilitarization in Italy. Considerable portion of total is small arms ammunition, mainly grade 3 (this matter will be subject of separate cable). Ammunition has been moving through Brennero in sealed cars at minimum frequency 4 trains weekly for past month and will continue. No press comment whatsoever except repeat of EuCom factually pro release. Thus, while patently the shipment of arms and ammunition, purchased by government under either part of WARX 96225 cannot be kept secret, we feel purpose of shipment can be cloaked particularly if cars routed initially to same destinations and under identical arrangements obtaining for scrap shipments." (865.24/3-1848)

again emphasized absolute need for secrecy at this time and also inquired whether mention of shipment needed to be put in US budget. I should appreciate being able to reassure him on this point. Emphasis on supplies being sent through Germany appears to be based on an assumption that they can be sent to US forces there and that destination to Italy not be made public until after April 18.²

We have not yet heard re method of shipment desired for Navy supplies.³

DUNN

² In telegram 773 to Rome, March 20, Acting Secretary Thorp informed Dunn that the Army was exploring all possibilities for complying with De Gasperi's request, and despite difficulties felt that acceptable arrangements could be worked out. Thorp instructed Dunn to get the Prime Minister's signature on an appropriate instrument as soon as possible (865.24/3-1848).

³ In telegram 1274 of March 22, not printed, Dunn reported that the Italian Admiralty had informed the Naval Attaché of their readiness to accept as soon as possible naval matériel shipped directly to Italy (865.24/3-2248).

865.105/3-2448: Telegram

The Chargé in Britain (Gallman) to the Secretary of State

SECRET

LONDON, March 24, 1948—6 p. m.

1217. Dennis Healey, head International Department British Labour Party, reported to Watson, sub-head Southern Department Foreign Office, today that he had had conversation with Italian Minister of Interior Pacciardi at Rome, recently, concerning Italian police. Pacciardi stated police is effective fighting unit equipped with all sorts of arms and had had battle training for use in quelling civil disturbances.¹ Pacciardi remarked that he hoped US and UK would not press satellite countries, principally Bulgaria, for information regarding para-military organizations those countries with view to accusations of violations of peace treaties. Pacciardi said that even if satellites were violating treaties and accusations proved, it would not bring down the Communist governments of those countries.

Pacciardi feared that if he accused satellites, Soviets would undoubtedly retaliate by making accusations re Italian police.

Foreign Office is rather concerned about this matter and feels that perhaps it would be unwise to press satellites with possibility of Russian retaliation re Italian police.²

Sent Department 1217; repeated Rome 77.

GALLMAN

¹ In telegram 898 of March 2, not printed, Dunn reported that as of March 15, the Italian Army would number about 190,000 which with 75,000 *carabinieri* would represent an excess of 15,000 over the treaty limit of 250,000 (865.22/3-248).

² In telegram 1465 of April 2, not printed, Dunn states that he supported the British view on the unwisdom at this time of protesting para-military establishments in the satellites (865.105/4-248).

865.24/3-2648 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET URGENT

ROME, March 26, 1948—6 p. m.

Niact 1347. Deptel 773, March 20.¹ Following is translation of document deposited with me by De Gasperi's private secretary.²

"In conformity with the agreement reached in these days with the Chief of General Staff General Trezzani it is declared that the offer of material listed in document No. 72 R.P. is accepted with payment of the agreed sum of ten million dollars, granted that there may be an eventual increase because of a longer journey or a reduction for material that might not be available. The above sum in dollars must be paid to US prior to July 1, 1948.

It is agreed that the material will be introduced into Italy by transport under conditions mutually agreed on.

Further arrangements will be stipulated by General Trezzani Chief of General Staff. Signed by Minister of Defense Fachinetti, dated March 25, 1948."

72 R.P. reference to above is list prepared by General Trezzani on basis US offer (WARX 96225 and Navy Dept 192241Z).³

DUNN

¹ See footnote 2, p. 788.

² Paolo Canali.

³ WARX 96225, February 19, 1948, not printed, but see footnote 1, p. 781.

865.24/4-648 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, April 6, 1948—7 p. m.

1558. For Hickerson and Dowling. Reference mytel 1347, March 26, WARX 98957¹ for Stilwell is most gratifying here. It is planned to bring material in question into Italy as soon as material will have traversed Germany.

After fully considering risks involved government determined to accept trial shipments on tentative basis. Daily shipments started arriving from Germany on 3 April with no repercussions. These have

¹ This message, sent April 5, 1948, from the Plans and Operations Division, General Staff, U.S. Army, not printed, informed the Military Adviser, Lt. Col. Richard G. Stilwell, and Hq. EuCom that the army transport *Francis X. McGraw* had cleared New York April 3, was due in Bremerhaven April 14, and had on board all of the equipment from the Zone of the Interior except 67 light tanks, 37 gun mounts, and some spare parts which would follow by separate shipments. It urged that Stilwell be at Bremerhaven to assist coordination of movement in EuCom.

even included small number of tanks (OFLC purchases) and considerable quantities of that portion 10 million dollar program located Germany. Naval shipments are planned to be transferred as Department knows at Pozzuoli April 14 to 17.

These current arrivals and those expected represent an immensely valuable contribution to strengthening hand of the government in meeting the situation now and that which may occur after April 18. Both Prime Minister and General Trezzani are greatly appreciative of US Government having acquiesced in manner of shipment and prompt action now taken. Department of Army being kept currently informed of shipments as forwarded.

DUNN

811.2365/4-2048

The Ambassador in Italy (Dunn) to the Secretary of State

No. 651

ROME, April 20, 1948.

Subject: Transit Facilities through Italy for Trieste
United States Troops.

SIR: I have the honor to refer to the Embassy's dispatch No. 1922 of November 24, 1947¹ which forwarded, as Enclosure 4 (Embassy Note 630, November 20, 1947), proposals submitted to the Italian Ministry of Foreign Affairs regarding transit facilities desired by Commanding General, Trieste United States Troops for maintenance of lines of communications with United States Occupational Zones, Germany and Austria. As a result of further negotiations on this subject, it developed that the Italian Foreign Office desired to maintain a wording similar to that contained in parallel arrangements involving the British element in Trieste. At the same time, however, the Foreign Office concurred in the necessity of extending the arrangements for United States Troops to include a communications link with Germany as well as Austria. Consequently, the Embassy's original proposals were modified and have now been agreed.

There are inclosed copies of the Italian Foreign Ministry's Note Verbale 11324/93 of April 10, 1948 and the Embassy's confirming reply in this regard.

Respectfully yours,

JAMES CLEMENT DUNN

¹ Not printed, but see footnote 1, p. 732.

[Enclosure 1—Translation]

NOTE VERBALE

No. 11324/93

In furtherance of *Note Verbale* No. 1099 of 12 December 1947 and in conformity with what has been agreed in recent conversations, the Ministry of Foreign Affairs has the honor to inform the United States Embassy as to the following:

In consideration of the special requirements set forth by the Embassy of the United States in *Note Verbale* No. 630 of 20 November 1947, the Italian Government agrees to give the facilities which are contained in Annex I and II attached to the present Note, concerning transit across Italian territory, of personnel and equipment of the United States on route to and from the Free Territory of Trieste.

If the Embassy of the United States will confirm the attached, the present Note and that which the Embassy will send in reply will constitute a definitive agreement between the two Governments on these questions.

ROME, 10 April 1948.

[Enclosure 2—Translation]

NOTE VERBALE

F.O. 1133

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and, with reference to the Ministry's *Note Verbale* No. 11324/93 of 10 April 1948, has the honor to confirm that the provisions of Annexes I and II thereto, of which English translations are herewith enclosed, are agreeable as constituting a definitive agreement concerning transit across Italian territory of personnel and equipment of the United States en route to and from the Free Territory of Trieste.

ROME, 14 April 1948.

Annex I

The Italian Government agrees to the following facilities regarding the transit of United States personnel and material between Austria and the Free Territory of Trieste:

1. Transportation of personnel, mail, baggage and emergency supplies by railroad between Trieste and the Brenner Pass and between Trieste and Villach, Austria and return. Passenger and cargo space as required will be admitted on regularly scheduled trains and under the same conditions as are applicable to Italian citizens. In the event of the interruption of the normal method of maintenance of United States Forces in Trieste by sea, the said Forces will require one freight train per week of a capacity not exceeding 500 tons, moving either via the Brenner Pass-Trieste route or via the Villach-Trieste route.

2. Use, as necessary, of the principal road route between Trieste and Villach and between Trieste-Bolzano-Brennero for road transport. Except in the event of the breakdown of the normal method of rail transportation, the said routes would be utilized only for emergency medical evacuation or other special instances. In the event of serious interference with rail movement, transportation of personnel, mail or stores by motor convoy over the aforesaid routes.

3. Transit visas (two-way) will be granted to United States military personnel traversing Italy on route to or from leave in a third country.

Note—(a) The above facilities will not exempt United States military personnel from the observance of currency regulations in force in the Italian Republic nor will they exempt transported baggage and supplies from the control of the competent Italian customs authorities to whom, however, instructions are being sent with the purpose of simplifying the current formalities.

As regards, in particular, the transit of single motor vehicles or of any motor convoys travelling on the routes indicated above, whenever deviations (from these routes) become necessary, in particular exigencies, deviations will be reported in each case to the nearest Italian customs office. Motor vehicles will be exempted from the normal customs formalities (tryptiques, carnets de passage) providing they carry United States military registration plates.

(b) The names of military personnel of all grades who are moving in transit through Italian territory whether as escorts for supply trains, as drivers of motor vehicles or as passengers on any form of transport, will be shown on a roll of standard form drawn up by the competent United States authorities and consigned to the most senior in rank responsible for the discipline of the military personnel travelling with him. This list will be countersigned upon entry into Italian territory by the Italian frontier authorities who shall have the right to check the identity of the military personnel against presentation of relative documents. The same list will be given for a similar check to the Italian authorities at the point of exit from the territory of the Republic.

Annex II

The Italian Government agrees that in the absence of more suitably located airfields, the United States Air Force shall be accorded the use of the Udine Airfield for transport aircraft for the purpose of maintaining air communications between United States Forces in Trieste and those in Germany and Austria. To this end, the Italian Government agrees to provide the following facilities:

1. The use of Udine Airfield by individual military transport aircraft in numbers not normally exceeding one aircraft per day, subject to clearance under normal procedure.

2. The use by these aircraft of the facilities and flying aids on Udine Airfield to which end the Italian Air Forces will maintain on said Airfield, the necessary equipment.

3. Facilities for the refueling and mechanical maintenance of the aircraft as may be required.

4. The use of the road between Udine and Monfalcone by motor transport for the movement of personnel, mail, baggage or emergency stores arriving or departing by such aircraft.

Note—For all that concerns currency regulations and customs formalities, transit of motor vehicles and individual control, military personnel and supplies crossing Italian territory from Udine to Monfalcone will be subjected to the rules set forth under (a) and (b) of the note in Annex I.

For the refueling and for the maintenance of aircraft under para 3 above, payment will be made according to the rules in force in Italy for aircraft of foreign nationalities.

United States military personnel who must proceed to the air port to assist the arrival and departure of aircraft, will be accorded the same treatment as personnel of foreign commercial airlines.

865.00/4-2748

Memorandum of Conversation, by the Director of the Office of European Affairs (Hickerson)

TOP SECRET

[WASHINGTON,] April 27, 1948.

Participants: Ambassador Tarchiani
Mr. J. D. Hickerson, EUR
Mr. W. B. Sale, SE

Ambassador Tarchiani informed me that in about ten days he expects to return to Rome for consultation. He pointed out that now that the elections have been decisively won the Italian Government must consider the next phase of its program and that the policy now must

change from the negative attitude of being principally anti-Communist to the institution of a sound positive policy of reconstruction. This program will be based primarily on social and economic reform promised by the government parties during the election campaign and will be within the framework and dependent upon the Marshall Plan. Aside from the economic and social problems which face the Italian Government is the problem of Italian participation in the military phase of Western European cooperation. Italy is placed by the treaty in a position of military inferiority which might cause Italy's participation in the Western Union alliance to weaken the system rather than strengthen it. He expressed the opinion that Italy does not require a large army but rather an extremely efficient small force capable of defending Italy's frontiers and making an appropriate contribution to the defense of Western Europe. In building such a force Italy would need the help of the United States. The Ambassador explained that he must be in a position to explain United States views in this problem to De Gasperi when he returns to Rome. Before this time he considered discussion of this subject might be premature, but now that the present government has been confirmed and strengthened by the results of the elections, the Italian Government desires to have an expression of our position in order to determine its own best course of action in the fullest cooperation with us.

I expressed the view that, while this is a matter for the determination of the Italian Government, the first problem of the Italian Government must be to determine what measures should be taken to counteract the disaffection of the large portion of the Italian electorate which voted for the Popular Front despite the Front's opposition to the Marshall Plan and all that it means to Italy's future. I stressed the fact that despite all of the help which we have provided the Italian people and despite open opposition of the Church to Popular Front parties, still more than 30% of the Italian people voted against the Government. I repeated that this is, of course, a matter to be decided solely by the Italian Government.

The Ambassador replied that it is not difficult to explain the size of the Communist vote in Italy for that vote is largely a reflection of deep-rooted non-partisan discontent on the part of a large segment of the Italian people with existing economic and social conditions in the country. The fundamental problem is that of providing nourishment for 47 million people in a country which can support only 35 million. Signor Tarchiani considers a solution must be found to the problem of immigration in order to relieve the pressure of present over-population and an annual increase of more than 500,000. Mr. Tarchiani said that in addition to the problem of over-population there is deep discontent amongst the more than 2 million unemployed and 5 million underpaid

Italian workers. The Italian Government has pledged to do everything within its power to alleviate this situation and with our help hopes to be able to make much progress in the solution of these problems during the four years of the Marshall Plan.

With regard to Italy's position in the Western Union I explained to the Ambassador that we are studying the matter in order to determine our own position with regard to the problem of defense of Western Europe and that we hope for some development within the next few weeks. I pointed out that as everyone knows aggression against any of the Western powers would immediately involve United States participation in the conflict. I explained that it is difficult for this Government to make a positive commitment in this regard and that whatever we say must have bipartisan support which is particularly important in an election year. I added that for my own part I hope that Italy would join the Western Union powers but that it would be necessary to proceed cautiously in order to ensure full acceptance of Italy's participation on the part of all powers concerned. I agreed that under the limitations of the Treaty Italy's participation might add to the weakness rather than to the strength of the Western Union. I pointed out that the Peace Treaty provides only two means for the revision of the military clauses, namely, by agreement between Italy and the Allied and Associated powers or, after Italy's admission to the United Nations, between Italy and the Security Council; both of which procedures would of course be subject to Russian veto. I expressed the opinion that the members of the Pact must examine all possible ways of resolving this apparent impasse and that at the proper time we would do all we could to contribute to a solution of the problem.

In reply to the Ambassador's question, I stated that there were no plans for a meeting on this subject by the Foreign Ministers of the United States, United Kingdom and France but that it was to be expected that there would be a constant exchange of views among the three Governments. I informed the Ambassador that we had made it plain to the five present members of the Western Union Pact that the better and faster the progress of their joint planning the easier it would be for us to arrive at an early decision concerning our own position.

Ambassador Tarchiani said that there was considerable concern on the part of De Gasperi and others in Rome regarding the possibility that a decision had been made by us that in the event of a sudden attack on Western Europe Italy would be abandoned as strategically indefensible. I replied that I had no knowledge that any such decision had been made by our military strategists. I added that I felt very

certain that the only sure way of preventing the overrunning of any area of Western Europe was to stop World War III before it starts by making it so clear in advance that in case of aggression the United States would be involved immediately and that such a military adventure would be so unattractive as not to be worthwhile. I expressed the opinion that we should strive to establish unmistakably the clear understanding that an attack on any of the western powers would be considered an attack on each one of us within the meaning of Article 51 of the United Nations Charter. I stressed that such mutual assistance would of necessity be entirely dependent upon and proportionate to the determination and vigor with which the country attacked resisted the aggression and defended itself. I explained again that we are actively working on the problem.

The Ambassador stated that as regards the military clauses perhaps the only way the problem could be solved would be through Italy's initiating as a matter of right, regardless of treaty restrictions, the rearmament necessary for her defense and her participation in the mutual defense of Europe. I replied that we hope to see Italy participate in Western Union, that we recognize the handicap of present military limitations and that we are prepared to consider the whole question at the proper time with all other members of the Western Union Pact. The Ambassador expressed his appreciation and added that all look to the United States support as the only hope for success of Western Union at this moment. He expressed the opinion that none of the other powers could object to Italy's participation if that participation is looked on with favor by the United States.

I asked the Ambassador to stop in to see me again the day before departing for Rome and assured him that I would then review our position as of that date and give him whatever further assurances might be possible in the light of the progress made by then. Before leaving the Ambassador expressed the desire to see the Secretary for a few minutes before his departure for Rome. I agreed that such a visit would be desirable if it could be arranged and asked him to let me know as soon as possible the exact date of his departure and that I would endeavor to arrange a meeting for him with the Secretary before that time.

865.00/4-2948 : Telegram

The Acting Secretary of State to the Embassy in Italy

TOP SECRET

WASHINGTON, May 4, 1948—6 p. m.

1278. Prior to his departure for Rome, Di Stefano inquired whether in view Ital electoral situation Dept contemplated reinforcing Presi-

dent's statement Dec 13 re Italy ¹ (urtel 1989 April 29).² He was informed some consideration had been given to possible statement in this connection, but no decision had been reached and there was some question re advisability. It was pointed out De Gasperi had not requested such assurance be given by US, either privately or in form public declaration. Di Stefano then implied he might raise this matter with De Gasperi, and it was suggested subject was one De Gasperi shd discuss with you.

Assurances which Dept had in mind were along lines previously suggested by you and subsequently authorized in Deptel 1131 Apr 20.³

Di Stefano's remarks re Trieste presumably based on statement, in response to his inquiry, that US had no present intention withdrawing forces from Trieste until satisfactory settlement that area obtained, and that maintenance this position might be expected if Itals also maintain their present position re eventual settlement FTT question. In response to further query, he was told that in unlikely event by Yugo aggression against Anglo-Amer zone FTT, it seemed safe to assume such aggression would be resisted by force.

LOVETT

¹ See telmar 70, December 11, p. 746.

² In this telegram, not printed, Dunn reported that the oral statement brought by Di Stefano on the position of the U.S. was approximately: "Trieste is frontier of United States and will remain so as long as Italians maintain it as such. Any aggressive action against Trieste will be resisted with all force by USA. If De Gasperi would like assurances of American military assistance in this area, they will be sent him through regular channels or eventually contained in public statement." Dunn asked for instructions. (865.00/4-2948)

³ *Post*, p. 876.

865.00/5-648

Memorandum of Conversation, by the Secretary of State

[WASHINGTON,] May 6, 1948.

Participants: The Secretary
Ambassador Tarchiani
Mr. Dowling

The Italian Ambassador called at his request this afternoon to say that he was returning to Rome for brief consultations, now that the elections were successfully over. He said he had no doubt that his Government's future policy would be full cooperation with the West, but that the military aspect of this cooperation did present a problem.

At present, Tarchiani continued, it appeared that the Soviets had decided against direct action by the Italian Communists. It might be assumed therefore that Moscow was in doubt as to what course to follow in Western Europe. The Italian Government was still appre-

hensive, however, regarding the Yugoslav attitude, which remains menacing in spite of various conciliatory moves from Italy.

Tarchiani explained that the Yugoslav attitude, together with the feeling that the Soviet Union was now in effect a neighbor of Italy, resulted in an awareness of Italy's vulnerable position. He pointed out that the Italian Army was at present able to maintain only seven infantry divisions on the Yugoslav frontier, and went on to say that the Italian Government realized Italy could not stand alone but must if possible enter into a scheme of Western European defense, which would have the support of the United States if that could be obtained. In this connection, he referred to the limitations on the Italian armed forces under the Italian treaty.

With regard to possible American support for the defense of Western Europe, I reminded the Ambassador of the President's statement of March 17¹ and said that we are now considering our position in this regard. I added that as regards the military limitations of the Italian treaty I realized that the normal procedures for revision were subject to Soviet veto, and that this created an awkward situation for the Italian Government. Tarchiani interjected that he himself felt that Italy's requirements could best be met by a small, efficient armed force; that this force was also required in the European interest; and that its limitations might be worked out in the European defense scheme. He agreed that quality and leadership were of paramount importance to the Italian armed forces, and that budgetary considerations must be given much weight by the Italian Government.

After some further discussion of the Italian military situation, I inquired of Tarchiani regarding the Government's program for carrying out the reforms promised during the electoral campaign, and alluded to the importance of the attitude of the people toward the government in assessing a capacity for defense. Tarchiani said that many of Italy's problems were three thousand years old, but he was convinced De Gasperi would do everything he could to put through a program of economic and social reforms. He added that Italy's greatest problem was insufficient land for its large population, and spoke of the necessity for increased emigration. I told him I was glad to hear of De Gasperi's plans to carry out the promised reforms, as we regarded this as of great importance.

In conclusion, Tarchiani inquired regarding our attitude toward Italy's entry into the Western Union. I replied that although I ap-

¹ For the text of the President's message to the Congress on March 17, see Department of State *Bulletin*, March 28, 1948, p. 418, or *Public Papers of the Presidents, Harry S. Truman, 1948*, p. 182.

preciated the complications on both sides, I hoped Italy would join.² Tarchiani thanked me and said he was grateful for this conversation before his departure.

² In a memorandum of May 4, 1948, briefing the Secretary for Tarchiani's visit, not printed, Hickerson suggested "that you explain to Tarchiani that we are studying our own position with regard to the defense of Western Europe and that we hope for some development within the next few weeks. Finally, you may wish to give Tarchiani some assurance that Italy would not be abandoned by the United States in the event of aggression against the Italian people." (711.65/5-448)

865.24/5-2448 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, May 24, 1948—4 p. m.

2349. Subject is provision of equipment for Italian armed forces. Italian Minister of Defense has recently made inquiries with respect certain items of interest to Navy which were included in original request submitted by Embassy Military Attaché cable MAR 345 dated 6 [7] December 1947¹ but not furnished or indicated as available in CNO's topsec 192241Z February to Alusna Rome.² We have informed Minister of Defense and in particular Navy General Staff that non-inclusion of originally requested items in Navy portion of \$10,000,000 purchase program indicates that US Navy is not in position to furnish these items either from excess stock or under replacement system operative in case of Greek-Turkish program. Notwithstanding this Minister of Defense has asked us to confirm foregoing and to request details as to possibility of securing any or all of desired items from civilian supply concerns on straight procurement basis.

Equipment involved although covered briefly in Mar 345 is repeated herewith in detail for your information :

1. Fifty each search radar units for installation on fleet units or coastal patrol boats on Adriatic watch.

2. Twenty each search radar units mobile or semimobile for positioning on Italy's Adriatic coast to supplement fleet and coastal patrol boat screen. If not truck mounted unit must be portable.

3. Forty each 40 mm, automatic guns on naval mountings (presumably pedestal type). These are intended as anti-ship rather than anti-aircraft and are planned for installation on coastal patrol craft.

4. 16,000 rounds 40 mm ammunition for weapons described in paragraph three above.

5. Sixty each radio telephone sets, for coastal craft to establish rapid inter-ship communication.

¹ Not printed.

² Not found in Department of State files.

6. Sixty each radio sets CW, ship to shore for installation on coastal craft.

7. Forty each radio sets CW, shore to ship for fixed coastal installations. Sets to be capable of operation on same frequency as those cited in paragraph six above.

8. Ten each radio sets truck mounted to work with shore station outlined in paragraph seven above.

9. Ten each radio direction finder sets truck mounted for use along Adriatic coast to locate clandestine radio stations and ships afloat.

10. Five thousand tons gasoline, one hundred octane. In this connection, Italians are aware of inability US Navy furnish this item (per CNO's Topsec March 101415Z) but desire details on procurement possibilities from other sources.

While data is not available locally regarding current nomenclature of communication and detection equipment listed in this cable it is felt that outline of intended use will permit local determination of specific types envisaged by Italian Navy.

It is requested that we be informed :

a. Whether or not there is any possibility of furnishing any or all of foregoing under a program similar to one now nearly completed or,

b. Whether or not any or all of foregoing may be procured by Italians on straight purchase basis from US civilian concerns. If this latter is feasible approximate *on of*³ cost involved would be helpful.

DUNN

³ Apparently garbled.

865.24/5-2448

The Assistant Secretary of State for Political Affairs (Armour) to the Secretary of Defense (Forrestal)

TOP SECRET

WASHINGTON, May 28, 1948.

MY DEAR MR. SECRETARY: With reference to the memorandum for the National Security Council dated February 13 concerning Provision¹ of United States Equipment to the Italian Armed Forces and advising of the President's directive that the recommendations contained in the National Security Council's memorandum for the President of February 12,² 1948 be implemented by all appropriate Executive Departments and Agencies of the Government under the coordination of the Secretary of State, there is transmitted herewith a copy of telegram no. 2349 of May 24, 1948 from the American Embassy at Rome concerning the request of the Italian Minister of Defense for assistance in the procurement of certain items required for the equipment of the Italian Navy.

¹ See footnote 3, p. 770.

² *Ante*, p. 769.

In its memorandum of February 12, 1948 to the President the National Security Council recommends the transfer to Italy from stocks now held or to be procured by the United States Armed Forces, subject to reimbursement to the forces concerned, of all or any portion of certain limited quantities of military equipment and supplies requested by the Italian Government and considered by the United States Secretary of Defense to be essential in order to increase in so far as practicable the potential ability of Italian security forces to maintain the internal security of Italy and to suppress anticipated attempts by subversive elements to seize power by force. It is requested, therefore, that, in accordance with established priorities the Secretary of Defense consider the request of the Italian Minister of Defense contained in the enclosed telegram in order that the Department of State can inform the Italian Government as to the possibility of facilitating procurement of the requested equipment and supplies.

Subject to the determination by the Secretary of Defense that the requested military equipment and supplies are essential for the maintenance of the internal security of Italy, the Department of State recommends, in so far as practicable, favorable consideration of this request of the Italian Government.³

Sincerely yours,

NORMAN ARMOUR

³ In an interim reply of June 2, not printed, Secretary Forrestal stated that he was taking steps to determine the availability of this equipment, and asked for an explanation of "established priorities." (865.24/6-248)

In a letter of June 26, not printed, Mr. Armour referred to the Department's letter of February 17 regarding SANACC 390/1 which "recommended that a secondary priority should be accorded the Italian military equipment program with respect to the Greek-Turkish program." Mr. Armour noted that this Italian request was supplementary to the equipment program formulated in February. He further referred to paragraph 9, a, (3) of NSC 1/2. (865.24/6-248).

In a letter of August 6, 1948, not printed, Secretary Forrestal stated that he had now received the advice of the Joint Chiefs of Staff and of the Secretary of the Navy; that the "Joint Chiefs have determined that provision of the military equipment requested by the Italian government would be useful and desirable but not essential for the protection of the internal security of Italy. In their view, the situation in Italy has improved since approval by the President on 13 February 1948 of the recommendations of the National Security Council and they consider that, short of an emergency which is not now evident, the matter of further military assistance to Italy should now be considered and determined in connection with the over-all foreign military assistance policy which is currently being developed." (865.24/8-648)

865.24/6-948 : Telegram

The Secretary of State to the Embassy in Italy

TOP SECRET

WASHINGTON, June 11, 1948—5 p. m.

1626. Urtel 2572 Jun 9.¹ Since all negotiations carried on Rome between Emb and Ital Govt Dept desires you arrange with Govt payment costs and charges incurred in accord Mar 25 agreement MinDe-

¹ Not printed.

fense.² Your MA and NA shd obtain exact figures total amount involved. Since Dept gave assurances defense services here Itals would effect reimbursement prior July 1, 1948 request you make every effort arrange complete transfer funds before that date.³

MARSHALL

² See niact 1347, March 26, p. 789. .

³ In telegram 2775 of June 25, not printed, Dunn reported that De Gasperi had instructed the Minister of the Treasury to make payment to the U.S. of \$9,320,754.00 (865.24/6-2548).

865.24/6-2948

The Italian Ambassador (Tarchiani) to the Secretary of State

TOP SECRET

WASHINGTON, June 29, 1948.

No. 6351

The Italian Ambassador presents his compliments to the Honorable the Secretary of State and has the honor to draw his kind attention to the following.

As the Honorable the Secretary of State is certainly aware, Italian aviation, after the destruction of war and the limitations imposed by the Treaty of Peace, has been entirely crippled and is encountering the greatest difficulties even for elementary purposes of training of personnel and minimum needs of defense and protection.

The Italian Government, while strictly abiding by the clauses of the Treaty of Peace, has under study a program of reconstruction of its aviation, which, while being far from ambitious, aims solely to ensure the maintenance and continuation of the essential training and operations of Italian aircraft and aviation personnel.

The Italian Ambassador is transmitting the enclosed list¹ of the matériel which the Italian Ministry of Defense believes to be the bare minimal essential needs for the purposes outlined above. The Italian Government would deeply appreciate it if the American Government would examine the possibility of supplying to Italy the matériel listed in the enclosure possibly out of its surplus both in Europe and in the United States.

In this respect the Italian Ambassador has the honor to point out that the Italian competent authorities have instructed him to draw the attention of the American Government to the fact that should such request be denied, the Italian aviation would find itself in a most difficult predicament and certainly not in a position to perform its services.

The Italian Ambassador would be very grateful to the Honorable the Secretary of State if he would take under the utmost consideration

¹ Not printed.

the request outlined above, and in case of an affirmative answer if he would indicate the terms and conditions under which the matériel listed in the enclosure would be supplied. In this connection the Italian Ambassador has the honor to refer to the possibilities offered by the agreements Corbino-Bonner, of September 9, 1946.²

The Italian Ambassador has the honor to thank the Honorable the Secretary of State for his kind interest in the matter.³

A[LBERTO] T[ARCHIANI]

² See *Foreign Relations*, 1946, vol. v, p. 932, bracketed note.

³ In telegraphic instruction 1973 of July 26, not printed, the Department requested the Embassy's views on the Italian request for air force equipment which had been discussed in Washington with Stilwell, Military Adviser at the Embassy in Rome (865.20/7-2648).

865.248/8-1848 : Airgram

The Chargé in Italy (Byington) to the Secretary of State

TOP SECRET

ROME, August 18, 1948.

A-832. Reference Embtel 3232, 30 July,¹ transmitting preliminary comments on Italian Embassy N.V. 6351² in which equipment for Italian Air Force was requested.

The Italian note is the culmination of a series of requests which have been placed before the Embassy, on a service level through the Air Attaché, since the original aid gesture as represented by the supply of 50 P-51's in the Taff-Del Vecchio agreement. The several demands have centered about the critical need for trainer and transport aircraft.

Subsequent to the Italian Government's decision in January 1948 to sanction purchases directly for the Armed Forces out of that portion of the Bonner-Corbino credit underrun applicable to acquisition of surplus located outside Italy, efforts were directed towards procuring this category of equipment from stocks in Germany through OFLC Headquarters, Europe. Because of the aircraft stock level in Germany, the established priority of other foreign aid programs, and the control features subsequently introduced as respects sale of flyable units, the OFLC negotiations were, in general, fruitless. The only major units obtainable were those listed in paragraph 2, Embtel 3232 and recapitulated herewith: 10 C-45s, 20 L-5s, 13 AT-6s, 10 ANT

¹ In this telegram, not printed, Byington mentioned that the Embassy had consistently emphasized that the Italian Air Force was inadequate and needed assistance which could come only from the U.S., but that it would be useless now to submit a formal project pending crystallization of the U.S. position toward regional alliances. On the other hand he urged encouragement of the Italians regarding future consideration of their needs. (865.248/7-3048)

² *Supra*.

Link Trainers and 5 Pratt Whitney R-1830-92 engines. Italian Government has accepted the offer of these items at OFLC sales price of \$378,415.00 (chargeable to B-C credit) and contractual papers are under preparation. This contract represents, of course, but a fraction of the minimum Italian Air Force requirements.

When it became apparent that OFLC stocks in Europe were inadequate, or at least unavailable, to cover any appreciable portion of Italian desiderata, the Air Attaché transmitted the global major item request to the Department of the Air Force by cable MAR-241, dated 12 May; this list roughly parallels the first page of the Inclosure to the subject Italian N. V. In its reply, WAR-81913, the Department of Air Force re-emphasized the non-availability of equipment in European surplus and suggested that the Italians initiate request at diplomatic level through the Department of State—thus, the presentation of N. V. 6351.

It is worthy of note that while on the one hand the Embassy has repeatedly assured the Italians that the surplus situation in Europe is as reported and, on the other, has indicated that surplus availabilities in the United States are not likely to be promising, the Italian Air Force is of the unvarying opinion that adequate surplus material exists but is being withheld until the foreign policy, political, economic and military of Italy vis-à-vis the remainder of Western European nations is clarified. This feeling gains credence, in Italian eyes, by reports circulating locally to the effect that British propaganda is directed towards discouragement of United States military assistance to Italy.

Viewed within the framework of Treaty limitations, the effectiveness of the Italian Air Force as a combat arm would appear to be slight. The allowed 350 aircraft would be inadequate for the air defense of Italy while their potential contribution to an allied air offensive would be negligible. However, it is appreciated that Italy could be of considerable assistance in the air phases of a conflict in two important instances: first, in furnishing an immediately available reservoir of trained technicians to relieve or supplement allied manpower; second, in preparing and maintaining, in usable condition, airfield and air facilities which might be required on short notice. These two points are of such value as to make it highly advisable for the United States, in its own interests, to provide the necessary wherewithal to help the Italians toward the ultimate execution of these missions.

Directly related to the future availability of a technicians' pool is the current training situation, in both the regular and reserve force. Only sufficient serviceable craft are available to provide flying for approximately 500 of the 1600 pilots presently on active duty, and

this on a minimum basis. Very little equipment is on hand in Aero Clubs for the instruction of new pilots or for sustaining training for reserve pilots on inactive status. As a result, the experience developed during the war is rapidly disintegrating and no new personnel is being trained to replace those pilots beyond the age limits for combat flying. But of even greater seriousness, is the continuing loss and dispersion of skilled ground technicians and for reasons parallel to the foregoing. Thus, the Italian Air Force is atrophying. The remedy revolves upon the provision of new training aircraft in sufficient numbers to make possible an augmented program of instruction, both for pilots and technicians. In a few years the Italian Government hopes to be able to manufacture sufficient training and transport type airplanes for its needs but until production is underway, stop-gap aid is essential. There appears to be no equipment source other than the United States.

In its plans for future aircraft production, the Italian Air Force contemplates maximum conversion to United States design and standards for engines, electrical motors, hydraulic systems, landing gears, propellers, etc. Planning along these lines stems from realistic appraisal of two facts: first, the only dependable source of replacement parts under war conditions would be from American production; second, the deterioration of Italian aviation industry, as a result of the war, makes it just as economical to revamp, in rebuilding, all production methods along American lines as to continue on Italian standards. Standardization would seem to be advisable as a basis for any United States approach towards association with or assistance to any grouping of the free democracies and it would therefore appear most desirable to encourage Italian production planning in this direction. On timing, the earlier positive encouragement is furnished the better, for the aviation industry today is at a standstill. There is reluctance to resume production on Italian design basis while initiation production on basis United States standards awaits the stimulus of our active support.

It is our conviction that the supply by the United States of training aircraft, presently in surplus stocks or which could be declared surplus, would be of tremendous value to Italy and the Italian Air Force and ultimately to the United States. It would ameliorate the critical training situation, in the air and on the ground, and would mean a substantial beginning in the creation of a reserve of skilled manpower acquainted with United States equipment, methods and techniques in training, operation and maintenance. It would provide the incentive for conversion of production facilities to United States types and standards, with important implications for Western Europe and ourselves. Such assistance would also have a direct bearing in influencing

the trend of Italian foreign policy towards a courageous stand with the other free democracies against totalitarianism.

Accordingly, it is strongly recommended that efforts be made to furnish the Italian Air Force with 200 training type aircrafts from surplus or potential surplus and that financing be arranged either through WAA or by revision of the Bonner-Corbino credit to make it applicable to purchases in the United States. The aircraft types envisaged are L-5, C-45, C-47, and AT-6.

Airgram containing technical appraisal of detailed enclosure to Italian N. V. 6351 follows.³

BYINGTON

³ Not printed.

865.24/9-248

The Acting Secretary of State to the Embassy in Italy

TOP SECRET

WASHINGTON, October 16, 1948.

No. 291

The Acting Secretary of State refers to the Embassy's telegram No. 2349 of May 24, 1948 concerning the request of the Italian Minister of Defense for assistance in the procurement of certain supplies and equipment required by the Italian Navy. The matter was referred to the Secretary of Defense with the recommendation that the requested military equipment be made available to the Italian Government on the same basis as that supplied under authority of SANACC 390/1¹ should it be determined that the supply of the requested equipment was essential for the maintenance of the internal security of Italy.

The Secretary of Defense has advised the Department of the view of the Joint Chiefs of Staff and the Secretary of the Navy that the situation in Italy has improved since approval by the President on February 13, 1948 of the transfer of military equipment to Italy (SANACC 390/1) and that, short of an emergency which is not now evident, the matter of further military assistance to Italy should now be considered and determined in connection with the over-all foreign military assistance policy which is currently being developed. The Secretary of Defense has approved this conclusion and has expressed the opinion that in view of international developments leading to current consideration of various forms of military assistance to numerous foreign governments, particularly in Western Europe, further aid to

¹ *Ante*, p. 757.

Italy should be considered in that context.² The Department of State has advised the Secretary of Defense of its concurrence in this position.

As to the procurement of the requested military equipment and supplies on a commercial basis through private channels, the Secretary of Defense has advised that 100 octane gasoline may be available in Europe from either the British-Mexican Oil Co. or the Standard-Vacuum Oil Co. Mr. Forrestal has advised the Department that other items requested by the Italian Government may be obtained commercially from the sources indicated in the enclosure hereto,³ but that direct negotiations will be necessary to determine their immediate availability. The Secretary of the Navy has therefore been asked by the Secretary of Defense to instruct his representatives to assist the Italian Government in its negotiations for commercial procurement of this equipment should the Italian Government desire to attempt to obtain the required equipment through commercial channels.

It is not considered desirable to inform the Italian Government at this time of this Government's basic position concerning the supply of military equipment to Italy. The Italian Government should merely be informed that although requested equipment and supplies are not available from United States supplies on hand it may be possible for the Italian Government to procure the required equipment through commercial sources, as indicated in the enclosure, and that representatives of the United States Navy will be pleased to extend all practicable assistance in such negotiations as the Italian Government may undertake for the procurement of this material. At the same time the Italian Government should be reassured of the continued interest of the United States Government in the efficient and effective organization of the Italian Navy and of the determination of this Government to extend all practicable assistance in that respect.

For the information of the Officer in Charge, the Secretary of Defense has further informed the Department of State that should the danger to the internal security of Italy be greatly increased by future events, the Military Establishment will be prepared to review its policy with regard to the request of the Italian Government for assistance.

[LOVETT]

² See footnote 3, p. 801.

³ Not printed.

033.6511/10-2148 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

ROME, October 21, 1948—2 p. m.

4066. Late yesterday I took up with Sforza substance of Deptel 2594, October 19.¹ Foreign Minister appeared entirely in agreement re desirability of proposed visit General Marras² to US as guest of US Army. He pointed out, however, that it would not be timely to make public announcement of visit at present in order it might not be linked with current press stories re recent visit Rome of Secretary Marshall.³ Sforza said that if two stories were tied together it would have effect of nullifying very beneficial effects of both. I inclined to agree with him and strongly recommend no press release be prepared until shortly before Marras departure. During next days we will discuss with Foreign Office and Minister Defense suitable text for announcement. My first reaction here is to link up this invitation to visit of General Bradley in Italy last year.

Sforza requested that Military Attaché extend invitation through Minister Defense and said that he would speak directly with Pacciardi in favor of acceptance. Willems is also informing Marras in confidence in order that he can make necessary plans. We assume invitation includes US military air transport for Italian Chief of Staff and would be grateful if Department could confirm foregoing with Department of Army as soon as possible. Agree fully with MAR 454⁴ and strongly recommend above means of transport be authorized since effect here of visit would be considerably diminished should Marras depart as commercial passenger.

DUNN

¹ In this telegram, not printed, Dunn was instructed to see Sforza and say that the U.S. Army had requested that an invitation be extended to General Marras to visit the United States for about three weeks beginning November 12, the purpose of the visit to see U.S. Army installations and to observe the organization, training, and equipment (033.6511/10-1248).

² Gen. Efisio Luigi Marras, Chief of the Italian Army General Staff, 1947-1950.

³ For Secretary Marshall's visit in Rome, see pp. 883 ff.

Press summaries regarding Secretary Marshall's visit are to be found in Rome telegram 4047, October 19 (865.9111 RR/10-1948), Rome telegram 4058, October 20 (111.11 Marshall, George C./10-2048), and in Rome telegram 4074, October 21 (865.9111 RR/10-2148).

⁴ Not found in Department of State files.

865.248/10-2148 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, October 21, 1948—7 p. m.

4072. Reference Embtel 3232,¹ Embassy's airgram 832, 18 August. Italian Government request for purchase surplus aircraft as em-

¹ See footnote 1, p. 803.

bodied Italian Note Verbale 6351 to State ² and other similar requests here have received only minimum results.³ To date OFLC has been authorized to negotiate sale of 10 C-45's, 20 L-5's, 13 AT-6's and 5 PW R-1832-92 engines. This transaction now being firmed up with Italian Government. Italians have again urgently requested that authorization be granted for purchase of following additional surplus equipment: (a) 30 L-5's, 10 in flyable condition and 20 for spare parts. (b) 40 C-45's, 20 flyable and 20 for spare parts. (c) as many C-47's (up to 80 in original request) as are available. (d) 7 PW R-1340-AN-1 engines for AT-6. (e) Additional 20 PW R-1830-92 engines.

OFLC indicates that items a, b, d, and 6 C-53's under item (c) could be made available from USAFE surpluses in Germany pending authority from Munitions Division of Department. All surpluses must be declared authorized for sale by 31 October therefore action in this theater depends on decision prior that date.

Urgently and most strongly recommend that authorization be granted to OFLC for sale of equipment listed in a, b, d, and e above within the limits of USAFE availability and favorable consideration be given for sale of six C-53's under existing surplus credit.

Equipment is urgently required for training purposes as outlined in airgram 832 to replace obsolete aircraft that must be salvaged. Earliest decision requested with corresponding instructions to OFLC Paris. USAFE being queried for concurrence on availability.

Please pass to Department of Air.⁴

DUNN

² *Ante*, p. 802.

³ The note of the Italian Embassy, 9632 of October 22, not printed, requested that some 70 aircraft, thought to be available as surplus in Germany, be transferred to OFLC, Paris, for transfer to Italy (865.248/10-2248).

⁴ In a letter dated November 16, 1948, not printed, the Acting Secretary of State, Lovett, urged the Secretary of Defense that consideration be given to the emergency needs which might affect Italy's security in the period prior to the implementation of any future over-all program. Noting that the greater part of the Italian Air Force needs could not be met from surplus available in Europe, Mr. Lovett asked about the possibility of transferring matériel to Italy from other sources (865.248/10-2248).

In Forrestal's reply of November 20, not printed, he stated that after informal discussion with representatives of the State Department and of the Air Force, he had referred the question to the Joint Chiefs of Staff (865.248/11-2048).

865.20/10-2248 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME. October 22, 1948—6 p. m.

4081. Military Attaché has cabled Dept of Army regarding approach by Italian Army Chief of Staff Marras suggesting exploratory US-Italian staff conversations on Italy's defense position and needs. I

concur generally with analysis and recommendations in his MAR 453, September 24,¹ and have following comments:

Government here is making progress in weaning public opinion away from illusion of neutrality to necessity of western alignment, and beginning has even been made with idea of bringing up to full efficiency their armed forces in order be better able protect Italy's internal security and primary defense. However, there exists fear that neither Western Union nor ourselves really attach importance to defense of Italy and that at first sign of trouble Italy will be abandoned. This fear will grow as increasing publicity is given to reports of our intention to contribute to rearming of countries already in Brussels pact, to the exclusion of Italy.

Government leaders have impression that they are not wanted in Western Union, that France and UK consider them more liability than a help, and that they had better, therefore, rely on bilateral arrangements with US from whom all real help for Europe must in any case come. Added to this may be a certain reluctance on Italian side give up bargaining power for purposes of treaty revision and military aid which they may feel they have in any move to get them into Western Union. Italians may also feel that they can more easily get what they need directly from US than through intermediary of Western Union.

We thus have a delicate threefold problem:

1. To give continued encouragement to those leaders who want Italy promptly and unreservedly in western alignment. In doing this we must show appreciation for what has been done recently in educating public opinion here and must dispel any idea on their part that our interest in Italy is secondary or sentimental.

2. At same time, we must keep alive in Italian mind our primary thesis of real and effective European unity as condition precedent for US economic and military aid, and we must keep their thinking planning in that direction.

3. We must take advantage of interim period before Italy is included in effective European arrangements in order to get Italy's defenses built up to maximum possible efficiency both in her interest and in our own.

When General Marras visits US (Embtel 3955, October 11² and Deptel 2594, October 19)³ he will probably again put out feelers for staff talks. While we may not be ready for all that that term implies I think that there would be great value in informal discussions with him or with officers designated by him, on purely military level, with objective of allowing Italians to elaborate state of their own planning and of giving US opportunity to advise what Italy can do now in way

¹ Not found in Department of State files.

² In this telegram, not printed, Ambassador Dunn expressed agreement with the suggestion of the Military Attaché that a visit by General Marras to the United States would be very desirable (033.6511/10-1148).

³ See footnote 1, p. 808.

of reorganization, training, planning, et cetera, with continued emphasis on eventual Italian participation in European defense system. US participants could no doubt take advantage of experience gained in staff talks which Brussels pact countries have already had. It would probably be better for me not to raise matter in advance with govt, but allow it to proceed on responsibility of Marras. We should naturally keep Western Union countries informed of anything we do, both to encourage them in moving faster with Italy and to forestall any false idea that we are resorting to bilateral arrangements in preference to extension of European system.

DUNN

501.BB/10-2548 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

PARIS, October 25, 1948—5 p. m.

Martel 82. Upon my departure from Rome, Count Sforza drew me aside and commented on what he said were Hickerson's statements to Italian Ambassador. I subsequently asked Dunn to obtain informally from Sforza the substance of these comments. The following was provided by Sforza :

"Excerpt from telegram from Count Sforza to Ambassador Tarchiani following Secretary Marshall's visit to Rome:

It was at the airport that, going apart from the diplomatic crowd, I said to him (the Secretary of State) :

That I wanted to repeat clearly what we had explicitly and implicitly said the night before, namely that knowing how much neutrality is now a vain formula, we were as one (*toto corde*) [*tutt' accordo?*] with the United States for the protection of western civilization, and that thus we were aware that, in view of the supreme interests at stake, we, accepting Hickerson's advices to Tarchiani ¹—you certainly know them—we did not intend to place conditions (especially since in a new atmosphere much would be clarified and resolved) ;

But, seeing that Italy is much more exposed than the other countries, even is doubly so because, disarmed as she is, she can be the objective of two different aggressions, it was our duty to warn him that on one single point we could not compromise: no hiatus between possible pledges by us on the one side and guarantees and assistance in rearmament on the other. This was necessary for us not only for our conscience, but also to build necessary Italian unanimity.

With rearmament and guarantee—I added—we could face any danger. And our resolution would be invaluable because it would annul the risk of a totalitarian govt imposed by the lowest minority in the event of commencement of foreign invasion. Remember—I said—that what happens in Italy soon happens in France."

MARSHALL

¹ See telegram 2652, October 26 to Rome, p. 267.

840.00/12-148

Memorandum by the Director of the Office of European Affairs (Hickerson) to the Acting Secretary of State

TOP SECRET

[WASHINGTON,] December 1, 1948.

Subject: Position of the Department of the Army in Matters to be Discussed with General Marras, Italian Chief of Staff

The attached paper which has been prepared by the Department of the Army in connection with this subject has been approved by the Office of European Affairs and the Department of the Army has been informed of the tentative concurrence of the Department.

It is suggested that you review the Army's paper in order that we may pass along to them any comments which you may have.

J[OHN] D. H[ICKERSON]

[Attachment]

[Here follow statement of The Problem, enumeration of Facts Bearing on the Problem, and Discussion.]

CONCLUSIONS

1. As long as Italy remains firm in her decision to resist the advances of communism and to utilize to the maximum her own resources:

- (a) The U.S. should continue its efforts to obtain Italian membership in the Brussels Pact.
- (b) The U.S. should continue to press for Italian participation in a North Atlantic Defense Pact.
- (c) Independent U.S. military aid for Italy may be considered as a last resort.

2. The U.S. should obtain Italian emergency plans for the defense of northern Italy.

3. The integration of U.S. emergency plans in Austria and Trieste with the Italian Armed Forces will require prior agreement with the British and no commitments regarding such integration should be made now.

4. Italy can be provided with military equipment only as a result of congressional legislation.

5. From the short range viewpoint, Italy's major immediate contribution to the security of Europe is the assurance of its own internal security.

RECOMMENDATION

It is recommended that General Marras be apprised frankly and in general terms of the U.S. positions indicated in this study.¹

¹ In a memorandum dated December 1, 1948, not printed, the Director of the Executive Secretariat, Humelsine, informed Hickerson that he had discussed the paper with Lovett who advised regarding its conclusions:

"(1) That it was his and the Secretary's feeling that we should not push the Brussels Pact group into accepting Italy into membership, but that their feeling was that this was a decision to be made by the Brussels Pact group when in their judgment Italy would be an asset rather than a liability.

"(2) That it was their feeling that Italy would necessarily have to come into the North Atlantic Defense Pact through the Brussels Pact group." (840.00/12-148)

033.6511/12-348

The Director of the Office of European Affairs (Hickerson) to the Director, Plans and Operations Division, General Staff, United States Army (Maddocks)

TOP SECRET

WASHINGTON, December 3, 1948.

MY DEAR GENERAL MADDOCKS: The Department of State has reviewed the Department of the Army's paper on "The Position of the Department of the Army in Matters Which may be Discussed with General Marras, Italian Chief of Staff" informally presented to the Department for its concurrence.

Certain aspects of the problem are receiving further consideration by the interested offices of the Department and additional comments will be forwarded to the Department of the Army at an early date. In the meantime, it is recommended that officers of the Army refrain from communicating to the Italian authorities specific comments concerning this Government's position with regard to Italy's participation in any regional arrangements to which the United States may eventually adhere. Should the Italians bring up the question during initial conversations, it is suggested that they be informed that while the United States is sympathetic to Italy's eventual association with whatever regional arrangements may be undertaken for the defense of Western Europe, we are still discussing through diplomatic channels the question of membership and do not know what the final conclusions will be.

Should it be possible to avoid discussion of this question with the Italian authorities until shortly before the end of General Marras'

visit, it is hoped that he might at that time be given more specific information and assurances concerning our position.¹

Sincerely yours,

JOHN D. HICKERSON

¹No such message of the Department of State to the Military Establishment or to any of its components prior to General Marras' departure from Washington on December 22 has been found in the files of the Department of State.

See, however, the document of December 16, "State Department Guidance Reference Discussions with General Marras," *infra*.

Defense Department Files

Memorandum by Colonel Douglas V. Johnson of the Military Establishment

SECRET

WASHINGTON, 16 December 1948.

[Subject:] State Department Guidance Reference Discussions with General Marras

In answering the questions of General Marras, it must be clear to him that all answers are conditioned upon the following facts:

There is no North Atlantic Pact and there is no assurance that the U.S.A. will join one if formed. Even should the U.S.A. join such a pact, there is no assurance that there will be any foreign military aid program. Hence these questions are not questions that the Executive Branch of the Government can decide and they must be answered affirmatively by the Congress.

The general thinking in the Executive Branch of the Government is that if a North Atlantic Pact is formed, membership therein would be limited to those countries washed by the North Atlantic or associated with the Western Union. Although membership in Western Union is a question for the body to decide, we would consider that Italy is a natural member of Western Union, due to its cultural, economic and political orientation to the West. We see no means by which the treaty limitations on the defense forces of Italy can be removed. The ECA funds cannot be used for the purchase of munitions but if the Italian Government desires to initiate the rehabilitation of western industries which, although not solely within the category of a war industry, would still contribute to the development of Italy's war potential, the Italian Government should make such representations to the ECA. The Italian Government will no doubt find it necessary to provide armaments for its military forces. Expenditure of its own funds to develop internally the facilities for so providing is reasonable. Should it desire to purchase armaments in the U.S. in order to maintain those forces, it would appear that there would be no objection. In the event there are any emergency requirements necessary to enable the Italian

forces to maintain internal security, a request for assistance in meeting such requirements would be considered by the U.S.

For General Bradley Only:

It is felt that the visit of General Marras to the U.S. and his reception here cannot fail to have impressed the other nations of the world with the interest which the U.S. has in the defense of Italy.

D[OUGLAS] V. J[OHNSON]

Editorial Note

General Efisio Luigi Marras, Chief of Staff of the Italian Army (1947-1950) arrived by air in Washington on December 2 and was met by the Chief of Staff of the United States Army, General Bradley. On December 3 he had a brief, personal conference with General Bradley after which he left a ten-page memorandum delineating Italy's strategic and military situation and needs. On December 6 and again on December 20 he held some rather extensive discussions with representatives of the United States Army, Navy, and Air Force. In these conferences he was accompanied by three officers who had flown over with him: Colonel Domingo Fornara, Lieutenant Colonel Umberto Turrini, and Captain Giuseppe Cognazzo. He was also attended by three members of the staff of the Italian Embassy: Colonel Carlo Unia, Air Attaché; Naval Captain Franco Baslini, Naval Attaché; and Lieutenant Colonel Umberto De Martino, Military Attaché.

At the conference of December 6 General Marras discussed the Italian Army, its numerical strength, organization and equipment and its morale. He spoke of Communism in Italy, emphasizing the distinction between the 2 million registered party voters and the small number of active members. He stated that Italy considered herself a Western power and was ready to enter into pacts with the Western powers. He indicated the equipment which Italy would need: (1) if Italy were to form part of a Western pact; (2) for units presently organized or to be organized in the near future; (3) for repair of the present equipment. He outlined the general operations planned in case of aggression from the East.

At the close of the conference of December 6, General Marras left with Major General Ray T. Maddocks, Director of Plans and Operations Division, Department of the Army, a series of 16 specific questions to which he requested answers. These questions were assigned to appropriate officers of the United States Army, Navy, and Air Force who presented the official answers in the conference of December 20. Records of these discussions are in the files of the Department of Defense.

During the visit in the United States General Marras received, with the approval of the Department of State, the award of the Legion of Merit, Degree of Chief Commander. He returned to Italy by air on December 22.

UNITED STATES EFFORTS IN SUPPORT OF THE DEMOCRATIC FORCES IN ITALY¹

865.00/1-1248 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, January 12, 1948—11 p. m.

140. With national elections three months off, tempo of party politics in Italy has been noticeably increasing. As the various parties are meeting to perfect their organizations and platforms, it is possible to make a preliminary survey.

Christian Democrat and Liberal Party Congresses have already taken place. Following Communist Congress now in progress at Milan, Republican Party will meet at Naples January 16, Nenni Socialists at Rome January 18, and PSLI at Naples February 1. (PSLI meeting originally scheduled for January, but Party member tells us that preparation of basic "political report" has lagged and therefore Congress had to be postponed despite knowledge that delay cuts into time [left for election campaigning). UQ and]² Liberal directorates will also meet during January.

One of principal tactical problems which will be discussed at these meetings is that of formation of electoral blocs, tendency toward which has been increasing. On extreme left, Communists have conducted series of "Congresses" clearly designed to provide foci for attracting through their front organizations voters in various walks of life. PSI Congress will be faced by decision whether to confirm alliance with Communists in "Blocco del Popolo" despite opposition of prominent party members (Lombardo, Morandi and Romita).³

Both the Republican and PSLI meetings will undoubtedly attempt to take a stand on proposed "Democratic League", (remytel 79, January 8)⁴ which would be bloc comprising these two parties, former

¹ For previous documentation, see *Foreign Relations*, 1947, vol. III, pp. 861 ff.

² The portions of the text enclosed in brackets have been supplied from the copy in the Rome Embassy files, File 800-Italy, Elections, Rome Lot file 56 F 78, now FRC-ACC 59 A 543, Part 8 (Box 2619).

³ Ivan Matteo Lombardo, head of the technical mission to the U.S. to discuss financial and economic matters.

Rodolfo Morandi, Minister of Industry and Commerce in the second De Gasperi cabinet.

Giuseppe Romita, an active member of the P.S.I. since 1924.

⁴ Not printed.

Actionists who are still unaffiliated, disaffected Liberals, as well as Leftists from other parties individually discontented with their present association. There is certainly no unanimity of view in either Republic[an] or PSLI Parties re a bloc, but two factors will bear considerably in the discussion: 1) fact that both will have to find some way to campaign for votes without doing damage to [participation with] Christian Democrats in government which involves both prestige and much advertised pledges of loyal collaboration; 2) the somewhat intangible factor inherent in the preoccupation of the Italian mentality with *bella figura* (which is not really translatable but roughly means making a good showing). In its political application this factor means wariness [of alliances] and attempts by politicians of similar persuasion to upstage rather than cooperate with each other.

The Christian Democrats will stand by themselves in the campaign and are strong and homogeneous enough not to need or benefit from alliance with any other party.

On the right, the negotiations between Giannini⁵ of the UQ, Lucifero⁶ of the Liberals, and Nitti,⁷ for the formation of a professedly Centrist National Bloc have been accompanied by much sound, some fury (Cattani⁸ has been only Liberal to resign from his party, but others are plainly unhappy; and with signature of agreement January 11, former UQ Secretary Tieri⁹ resigned from party with several other UQ members who had publicly complained at Giannini's allegedly single-handed part in the negotiations), and very little substance (the text of the Bloc's agreement and program will be published as and when ratified by parties concerned). The principal stumbling bloc has apparently been, and will continue to be, the personalities of the men concerned and their preoccupation with the *bella figura*. It is hard to conceive of Giannini and Nitti, both of whom are personalities rather than heads of parties, maintaining a really effective political alliance.

In the campaigning thus far, the Left has taken and is holding an initiative in most of the issues. It may be expected that as the campaign progresses, these issues will, in general terms, be:

- (1) National independence;
- (2) the essentially economic and social "problem of the South";
- (3) the politico-economic "class struggle";
- (4) the Catholic Church;
- (5) good old-fashioned mud slinging;
- (6) the maintenance of peace and order in the country.

⁵ Guglielmo Giannini, journalist, playwright, and politician; founder of the Uomo Qualunque movement and of the newspaper of the same name.

⁶ Roberto Lucifero di Aprigliano, Secretary of the Liberal Party.

⁷ Francesco Saverio Nitti, Prime Minister of Italy, 1919-1920.

⁸ Leone Cattani, former Secretary of the Liberal Party.

⁹ Vincenzo Tieri.

Re (1), it is interesting to note that Interior Minister Scelba has been replaced by Foreign Minister Sforza¹⁰ as the Leftists' target of the day, for his alleged failure to protect Italy's independence from the American imperialists. In campaign appeals to nationalism the name of the United States has been and will be dragged about in some astonishing ways.

Re (2), The problem of the South is two-fold; in terms of national unity, and of amelioration of the lot of the peasant. Both these aspects have already emerged, and contest during campaign will be between professed champions of both aspects. It is no accident that so many Party Congresses are being held at Naples.

Re (3), obvious and seemingly inevitable social-economic disparity between large number of Italian people, both industrial worker [labor] and peasant, on one hand and privileged aristocracy on other lends itself to Leftist demagoguery which government finds hard to counter with details of effective but highly technical fiscal amelioratives. Energy and publicity which Government parties have devoted to current campaign for winter aid to unemployed (idea for which originally came from CGIL) have helped their electoral cause temporarily (remytel 129, January 12),¹¹ but past experience indicates they will have difficulty finding and exploiting similar opportunities in coming months. On the labor front, it is significant that neither social-Communists on one hand nor Christian Democrats (with Republicans and PSLI) on the other were willing to precipitate a final break in façade of unity during recent discussions in CGIL executive council.

Re (4), the importance of the Catholic Church as a campaign issue derives from the historic Italian distrust of "clericalism" in government, existing from the days when the Popes exercised temporal power. The current Communist attack on the Vatican and its "agents", the Christian Democrats, is linked demagogically with both "independence" and "the class struggle" against reaction, thus cleverly combining immediate, tangible issues with latent sentiments. The opponents have few weapons on this plane, and must perforce fall back on irrelevant dogmatic condemnation of Communism.

Nitti's National Bloc is also a reflection of the Church issue; one objective of the bloc is admittedly to provide a rallying point for those of the middle classes who are anti-Marxist and anti-clerical and who distrust or fail to comprehend the anti-Communism and anti-clericalism of the Republicans and PSLI. The Liberal Party is qualified by tradition for membership in such a bloc, and UQ membership was possible after the withdrawal from the party of Patrissi and the expul-

¹⁰ Mario Scelba; Carlo Sforza.

¹¹ Not printed.

sion of Selvaggi,¹² with their far-right, monarchist associates, who remain alone on the extreme right.

Re (5), the Left is apparently prepared to stop at nothing in its attacks on members of the government, especially the Christian Democrats; the latter are not especially effective at mud-slinging, nor inclined to start it.

Although, as suggested above re (6), question of public order is for the moment not preeminent in the campaign, it is to be expected that more will be heard and familiar Communist attempts to disturb and subvert will continue. Possibility of a Communist grab for power of course exists; on the other hand, a Republican source has opined to us that Communists will maintain a degree of ferment sufficient either to force government to postpone elections or, if elections are held, to aver after votes are counted that they were not free. The Communists have apparently decided to drop the question of police and the Ministry of Interior as unrewarding to their cause but the solicitude they have shown for army class being kept under arms, together with bitter attacks on alleged war criminal General Orlando¹³ (Secretary General of Ministry of the Army) may be stepped up to include attacks on Pacciardi¹⁴ and Facchinetti¹⁵ and on the whole military structure. This is one issue, of course, in which it is difficult for government to take campaign initiative, or even, for reasons of security, to defend itself in public.

Sent Dept 140, repeated Paris 22.

DUNN

¹² Emilio Patrissi, editor of the daily *L'Orà d'Italia*; Vincenzo Selvaggi, editor of the daily *Italia Nuova*.

¹³ Gen. Taddeo Orlando. He had been captured in North Africa in May 1943.

¹⁴ Randolfo Pacciardi, Vice President of the Council of Ministers in 1947; Minister of Defense 1948-1953; a member of the Republican Party of Italy.

¹⁵ Cipriano Facchinetti, Minister of Defense in the fourth De Gasperi cabinet (May 1947-May 1948) for the period after December 15, 1947.

865.00/1-2148 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL

ROME, January 21, 1948—3 p. m.

314. There is no doubt that extreme leftist parties, not only because of their known strength and popularity throughout Italy but also because of the feverish activity in their present pre-electoral campaign, will play an extremely important role in the spring elections. The Communists and left-wing Socialists have, as Department is aware, formed a popular democratic front (to be distinguished from the proposed electoral peoples bloc) made up of countless labor, agricultural,

veteran, feminine, youth, cultural and social organizations, all Communist controlled or inspired, for the purpose of popularizing their cause and, most important of all, of getting people, especially women, to the polls. Many new front organizations have sprung up in recent weeks; for example, the Garibaldi Avant Guard (youth); the Feminine Alliance for Peace and Democracy, and the Association of Female Farmers. The latter group is advocating the same benefits for pregnant farmers as is accorded to industrial workers, a proposal which will certainly have considerable appeal among prolific farmers wives and daughters. Many new Communist propaganda publications have appeared, as well as countless directives to sections and federations, exhorting members to increase their agitational electoral work. Money, newsprint and energy is not lacking and it may be anticipated that the efforts of the Communists and Socialists, who will undoubtedly run on single ticket, if not throughout Italy at least in the south, will be even more intensified as election day approaches. It is not unlikely that extreme left, through the media of their countless front organizations, and with their luring campaign slogans and false promises, will succeed in attracting to their cause many Italians, especially among the semi-literate classes.

Present indications are that Communist policy here is to stick to quasi legal parliamentary methods and rely on the elections in order to reenter the government and ultimately to control it. Togliatti certainly emphasized this point at Milan conference (see Embtel 159, January 13)¹ although he left the door open to extra-legal activities—general strikes, violence and probably insurrection—in order to achieve Communist objectives in Italy, i.e. the attainment of “progressive democracy” (Soviet style) and the crippling of the Marshall Plan. Present Communist policy may of course be a smoke screen to divert attention from their extra-legal plans. However, their press, as well as Nenni’s reflects growing optimism over coming elections. It would seem that they believe that they, running with the Socialists on a joint ticket, will gain a plurality in the elections which would make it impossible to keep them out of the government—in fact, might make it mandatory for the President to ask Togliatti to form the new government. This in itself would assure the attainment of their objectives. On the other hand, if they feel at a later period in the electoral campaign that they will be defeated, a shift to extra-legal tactics may well be anticipated, culminating in an intensification of violence and possibly insurrection if they are defeated at the polls. As justification therefore they will accuse the Demo-Christians of reactionary tactics in suppressing strikes and in maintaining public order and of illegal tactics

¹ Not printed.

in the elections. Either course, i.e., reentry into the government following an electoral plurality or a resort to revolutionary action would in their view insure their primary objectives, and those of Moscow. And finally, although at the present time there is no substantial indication of a Communist-armed *coup d'état* despite countless unfounded rumors, this possibility should not be completely discarded especially if there is a sharp deterioration in the general international situation.

With respect to the specific question raised in the Department's 2724, December 31,² we offer the following comments:

(1) The Actionist group which joined the PSI is insignificant in number, a mere two or three thousand and weak in influence. We are advised that its leaders, Lussu, Cianca and Foa,³ although anti-fusionist, will probably support the Nenni-Basso⁴ line. They are primarily interested in obtaining seats in the new Parliament. In fact, the Actionist Party has lost practically all its appeal since the Parri⁵ days and now amounts to a small group of leaders with little mass support.

(2) Regarding the attitude of the PSI at the directorate and popular level on a leftist electoral bloc, we are informed by Lombardo that 85 percent of the Socialists at a popular level do not desire such a bloc. In fact, the press has reported that the Romita motion for autonomy won out in the provincial congresses in Piedmont, Tuscany, Veneto, and Liguria, and that the Basso motion for the bloc won a majority on Emilia, the Marche, Umbria, Lazio, Lombardian and Sicily. It would appear that the Socialists in the north, where there is a strong independent Socialist tradition, dislike for Communist insistence on discipline and strong Socialist organizations, favor independent action, whereas the less organized Socialists in the south are more inclined to go along with the Communists. Although Nenni may have serious misgivings regarding this latter course he is reportedly so compromised by the Communists that he will continue to advocate it. Basso is said to be playing a double game since he is at heart anti-Soviet. But in order to be on the winning side he will also go along with Nenni. If the Socialist Congress, now in session, advocates the establishment of a single bloc with the Communists which seems almost a certainty, Lombardo may well leave the party. In order to reach a compromise and avoid another split it is possible that the Socialists will decide to run independently in some provinces of north and

² In this telegram, not printed, the Department requested that it be kept currently informed on the activities and objectives of the PSI and PCI at the level of the party directorates and at the popular level (865.00/12-3047).

³ Emilio Lussu; Alberto Cianca; Vittorio Foa.

⁴ Lelio Basso, confirmed as Secretary of the PSI after its congress of January 1948.

⁵ Ferruccio Parri, President of the Council of Ministers, June-December 1945.

jointly in the south. We should have an answer to this question by early next week.

(3) With respect to the attitude of the Communist Party on this question, although the Milan Congress revealed some dissensions in the higher echelons of the party, Togliatti the boss strongly advocated the creation of a common leftist electoral bloc. He pointed out that the Communist Party was a mass party, that it must appeal even to the middle class and that there must be mass unity and alliances with other political groups in elections. The political committee of the Congress supported the bloc as did the final motion of the Congress which "fathered" the plan of the Socialists for a single electoral list.

DUNN

811.911/1-2848

The Chargé in Italy (Byington) to the Secretary of State

CONFIDENTIAL

ROME, January 28, 1948.

No. 139

Subject: Italian Language Daily Newspapers in the United States

SIR: I have the honor to submit, for the Department's consideration, an idea suggested by several Americans in Italy who are not connected with the Government, with the view to make available to the Italian people one more channel through which they can learn of the tremendous American efforts to help Italy rehabilitate herself without cost to her sovereignty or rights as a free nation.

We have been told that Italian language daily newspapers in America have devoted a good deal of space to the subject. The stories in these papers are described as being full, factual, and pregnant with good will toward Italy and with appreciation of America's unselfish motives.

It has been suggested that the editors of these papers should be requested by the Department to recommend to their readers the practice of clipping stories describing American aid to Italy and sending them to their friends and relatives in Italy. The attached list of Italian language dailies in America is submitted as a working basis should the Department find the idea feasible. Since the reference books in our OIE Library are not current the list may not be complete or entirely accurate. Some consideration might be given to Italian language weekly papers. However, we have been warned that some weekly papers have editorial policies which are critical of American policy of aid to Europe and therefore should not be approached with any plan such as this.

If the Department views this suggestion favorably some value might be obtained from the enclosed sample letter which was drafted as one

which might influence the editors of Italian language newspapers to co-operate.¹

Respectfully yours,

For the Ambassador:
HOMER M. BYINGTON, JR.
Counselor of Embassy

Enclosure 1

LIST OF ITALIAN DAILIES PRINTED IN THE UNITED STATES

- L'Italia-Voce*—San Francisco, California, L'Italia Press Co., Publishers; Ettore Patrizi, Editor; 1500 Stockton Street.
La Notizia—Boston, Mass., G. N. Longarini, Publishers; L. Z. Lo Presti, Editor; 34 Battery Street.
Il Progresso—New York City; Generoso Pope, Publisher; I. C. Falbe, Editor; 42 Elk Street.
Il Popolo Italiano—Philadelphia, Pa.; Remo Zuecca, Editor and Publisher; 1012 Catherine Street.
L'Opinione Progresso—Philadelphia, Pa.; Constantino Costantini, Editor and Publisher; 8th and Christian Streets.

Enclosure 2

DRAFT

DEAR —————: A number of Americans who have visited Italy in recent weeks have suggested that the following idea should be submitted for your consideration as an excellent means of providing the Italian People with information about the extent and nature of American efforts to help Italy's recovery.

Your newspaper has devoted a good deal of space to factual accounts and comment about the various programs of American aid during the past five years. Your interest in American aid to Italy can be of special service in helping the Italian people in Italy to learn the facts.

The suggestion is that you recommend to your readers, many of whom are of Italian origin, that they clip stories and editorials on American aid and send them to their friends and relatives in Italy. This source of information should prove very helpful in complementing the information distributed in Italy by our various American news agencies and the State Department's Office of Information and Cultural Exchange.

I would appreciate your thought on this matter as well as any criticism or advice you may wish to offer.

Sincerely,

¹ In telegram 474 of February 4, not printed, Ambassador Dunn urged that the Department give attention to this despatch (S11.911/2-448). In telegram 573 of March 3, not printed, the Secretary informed Dunn that the suggestion was under consideration (S11.911/2-248).

365.1115/1-2948 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET URGENT

ROME, January 29, 1948—noon.

383. Situation such that Embassy does not preclude possibility that Communists may possibly endeavor overthrow present government by force. Critical period seen as that just prior to or just subsequent to forthcoming elections. Should such coup be attempted civil war would inevitably result with consequent serious danger to American lives and property.

Embassy currently engaged in drawing up plans for protection and possible evacuation of Americans on assumption that violence, if it breaks out, will break out first in northern cities and that Rome and southern areas will remain, temporarily at least, comparatively safe with refugees streaming into Rome from northern provinces. Plans envisage necessity that financial assistance against promissory notes will have to be afforded American citizens for temporary quarters, food and transportation to US or to such intermediate point as may later be decided upon.

In order to be in position to act quickly and effectively should necessity arise, Embassy requests that it be given by telegraph an emergency allotment of \$100,000 and that consideration be given now to fact that, should outbreak occur, additional funds would in all probability be required.¹

DUNN

¹ The Department's telegram 264 of January 30, not printed, granted a supplementary emergency allotment for \$100,000 for possible loans to American citizens (365.1115/1-2948).

Editorial Note

On February 2, 1948 a Treaty of Friendship, Commerce and Navigation between the United States of America and the Italian Republic was signed in Rome. For the text of the treaty and exchanges of notes see *Treaties and Other International Acts Series* 1965 (63 Stat. (pt. 2) 2255). Documentation on the negotiations in 1947 and 1948 leading to the treaty is found in file 611.6531.

800.48 FAA/12-3147 : Telegram

The Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, February 4, 1948—6 p. m.

304. For Tasca from State and Treas. Following is thinking re use local currency counterpart PL 389¹ (urtel 4226 Dec 31)² but does not cover PL 84³ which concerned with use for relief and work relief.

1. *a.* Interim aid agreement (Deptel 2732 Dec 30)⁴ provides flexibility in utilization local currency counterpart USFAP. While preferred uses to which such counterpart should be put stated explicitly Sec I para 2*a* of Annex, para 2*b* provides flexibility within framework of general intent of this Section.

b. Aware of efforts of Ital Gov in recent months to arrest inflationary process resulting in some deflation by late 1947. Local currency counterpart of USFAP should most appropriately be used to encourage and facilitate financial and economic stabilization measures preliminary to and dovetailing with larger program of individual and cooperative action pledged by CEEC countries. Although no commitment now possible regarding ERP it is felt to be in interest of countries concerned to act as soon as possible during interim period to implement above objective. Interim aid funds should be used to encourage and facilitate such implementation.

2. Following may be used as general guide in evaluating specific uses of USFAP funds:

a. Local currency equivalent should be disposed of in accordance with procedures which have been formulated by participating govts in agreement with US.

b. Such procedures should utilize local currency equivalent to best minimize inflationary pressures as part of a general program of monetary, fiscal and other measures designed to reduce budgetary deficit so far as possible and promote maximum output of essential goods and services.

¹ Public Law 389, 80th Congress, approved December 17, 1947 (61 Stat. 934). See *Foreign Relations*, 1947, vol. III, editorial note, p. 484.

² In this telegram, not printed, Dunn explained that the local currency counter value of relief to be sent to Italy would total over 600 billion lire; that control of the lira fund would mean control of the Italian economy. He urged that the U.S. exert control despite the possible outcry against interference, and suggested several possible ERP programs. (800.48 FAA/12-3147)

³ Public Law 84, 80th Congress, approved May 31, 1947 (61 Stat. 125).

⁴ Not printed, but see footnote 3, p. 755.

c. Following uses considered appropriate :

- (i) Sterilization to assist in measures of financial reform and currency stabilization ;
- (ii) non-inflationary retirement of national debt ;
- (iii) local currency costs incident to exploration for and development of additional production of raw materials in probable long term short supply in US ; and
- (iv) local currency costs of mutually agreed projects contributing to European economic recovery.

3. a. We note from urtel 219 Jan 16⁵ that Ital Gov has approached Emb with proposal to use lira fund for vocational training program and Alpine hydro-electric development also mentioned urtel 4226. Before commenting re specific uses local currency counterpart of USFAP, request that you discuss with Ital authorities whole problem of how local currency counterpart might best be integrated with such stabilization and recovery program as Ital Gov may have in mind. Seemingly only indication of general Ital thinking on use of lira counterpart available here contained Emb despatch 1448 August 8,⁶ 1947 stating intention is to apply it to extraordinary budget for reconstruction. We are prepared to consider use of lira fund to cover approved projects already included in Ital budget.

b. In connection with such specific projects as Itals propose you should procure detailed info re magnitude of expenditures contemplated and estimate of anticipated contribution toward Italian recovery ; also obtain statement of relationship of such expenditures to projects already provided for in Ital budget. Projects covered by USFAP funds should preferably be short term and productive in nature although genuinely feasible long term projects upon which significant short-term progress can be made not precluded. Also limited expenditure for humanitarian projects might receive consideration. Seriously doubt whether use local currency counterpart USFAP directly for security purposes (para 3 urtel 4226) appropriate or feasible.

c. Size of amts released for expenditure considered important from point of view of overall effect on Ital economy. Decision regarding overall amts of funds to be released will be made here altho Emb might be authorized to release nominal amts to Ital Gov for approved purposes.

4. Agreement as to use of local currency arrived at cooperatively with Ital Gov will offset possible communist attacks against US "interference." Recognize that Ital political situation must play

⁵ See footnote 2, p. 873.

⁶ Not printed.

large part in determination of uses made of USFAP funds but feel that impetus to financial and economic stability through appropriate use these funds will aid greatly in achieving our general objectives. [State and Treasury.]

MARSHALL

865.00/2-748 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, February 7, 1948—1 p. m.

543. In compliance with Deptel 260, January 29,¹ my comments re Pope's pessimism over forthcoming Italian elections are:

1. The emotions that in April will sway the Italian electorate are still in balance;

2. The present electoral situation justifies grave concern and calls for serious consideration;

3. US policy of assisting Italy has constituted our major obstacle confronting the Communists;

4. Full implementation of US policy is essential to an electoral decision by the Italian people for democratic as against totalitarian government.

Ever since the formation last May of a government without Communists, the popular strength of Communism has remained static. Some gains in the south have been offset by a slow development of anti-Communism in the north. The Sicilian elections with their slogans of "Votate Garibaldi" represent the former and the recent manifestations in the north of PSI independence (see Embtel 314, January 21) against fusion with the Communists represent the latter. From every side we have received reports that what appeared last winter to be an irresistible Communist avalanche has been checked and in many places even lost ground. Until last summer the Communists followed a policy of official respectability. It was only last fall that they turned to political strikes and open violence. That change of policy appears to have been dictated by Soviet dissatisfaction over the good progress toward stability made by the Italian Government. There now appears to be a Communist return to the policy of "respectability" presumably aided by the April elections. Agitation against the government continues but without widespread political strikes which antagonize the Italian worker.

The same Prime Minister who appealed desperately one month ago

¹ In this telegram, not printed, the Department requested Ambassador Dunn's views on the Pope's pessimism regarding the coming April elections, as reported in messages from the Vatican; and suggestions regarding steps which the United States might take in the situation (865.00/2848).

for arms for the police a few days ago was apparently so calmed by the present lull as to speculate to me in confidence on the bad effect on the Christian Democrat Party of the disintegration of the right. He appeared disturbed that an influx of votes from the right to his party would harm the center position of the Christian Democrats.

We can reasonably expect that the present lull which has momentarily calmed the nerves of the government will not continue. There will be an aggressive violent, well-organized electoral campaign by the Communists and their fellow travelers, the PSI. Should prospects of their electoral success diminish further, there may well be a resort to force. In any event throughout Italy, a vast emotional upheaval will take place in the next few months. A turning point in the elections may be a last-minute revulsion against the slogans of Communism and against another Italian adventure into totalitarianism. There was in the last two weeks of the plebiscite in June of 1946 a swing of public opinion favorable to the monarchy which almost upset the entire outcome. Even the most sanguine royalist never believed the vote would be so close. It was fear of Communism that helped the monarchists. On the other hand, with the labor movement completely dominated, unlimited funds, and the best electoral organization in Italy, the Communists may, by combining the use of fear and their trojan horse, the PSI, succeed in forestalling a last-minute popular revulsion against Italy's commitment to Communism and a policy of alignment with the Soviet Union.

The situation is the more serious because no party except the "Blocco del Popolo" has become associated in the mind of the people with the basic reforms urgently required for the peasants, the workers and the humble white collar class so numerous in this country. Up to the present the Communists have been successful in rendering completely ineffective the dissident Socialists who should represent the main hope for the Italian worker.

We have not found any observers who are willing to predict less than 30 percent of the popular vote for the Blocco del Popolo, and the general consensus appears to waver around an estimate of 40 percent which is of course, extremely dangerous. If the Communists and PSI succeed in getting into the government again, there is every reason to believe that another tripartite government in Italy will this time lead to Communist dominance and not follow the path taken during past year. On other hand, there is no doubt but that Christian Democrats themselves and especially the Prime Minister have increased in prestige throughout the country. Even an observer such as Saragat, while dubious about his own prospects, readily predicts that the Christian Democrats will succeed in maintaining undiminished their present

position as the largest mass party in Italy. While we must view with great concern the strong position of the Communists created by their victory over the anti-Nenni PSI forces, the continuing strength of the Christian Democratic Party itself is a reassuring bulwark.

There is no doubt that the increased prestige of the present government rests principally on American policy towards Italy. The vast majority of Italians recognize American political and economic help and are grateful. They hope that this assistance will increase and prefer it to any political alignment of Italy with the east. Communist propaganda in Italy is doing everything possible to discredit the US and to convince the people that the De Gasperi Government's cooperation with the US is drawing Italy into a western bloc and inevitable involvement in a possible war with the Soviet Union. The international situation and the issue of friendship with the US will in Italy play fully as great a role in the forthcoming elections as will the internal domestic situation. Every action of the US will have a direct bearing on the outcome.

In compliance with Department's request, I outline those measures which appear to me of importance and which should be taken if the defeat of communism is to be assured.

1. Continued support of the present government. The sine qua non of that support is the furnishing of sufficient wheat to prevent any reduction in the bread ration prior to holding of the elections (see mytels 3972, December 9² and 313 January 23);³

2. Prompt furnishing of the military equipment already listed by the government as essential to the maintenance of internal order (see mytel 261, January 20⁴ and previous);

Here follow other measures to assist groups interested in economic reforms and friendship with the West.

4. A further statement of US policy should be made. It should be so designed as to leave no doubt in the minds of the Italian People over the international issue involved in the Italian elections and the position of the US.

During the past year I have worked constantly in my speeches to clarify US policy in minds of Italians. It is extremely important that there should be a major declaration of American policy from the President or Secretary of State designed to reach every Italian. At the critical moment we must see that Italians are not deceived by Communist claim that Communism in Italy will combine the advantages of aid from the west with that of political safety and benefits from the Soviet Union.

² *Ante*, p. 740.

³ Not printed.

⁴ See footnote 4, p. 757.

We must demonstrate convincingly that peace and independence belong to western civilization as does subjugation and tyranny to the totalitarian system of Soviet Union. If every Italian could know the real issues at stake there would be no doubt as to the outcome, but if the US is unwilling or unable to go all out to meet Soviet policy in Italy move for move, then I would be inclined to agree with the forecast attributed to the Pope.

DUNN

865.00/2-1848

*Memorandum of Conversation, by the Assistant Secretary of State
for Political Affairs (Armour)*

SECRET

WASHINGTON, February 18, 1948.

Participants: Assistant Secretary Armour
Ambassador Tarchiani
W. C. Dowling, SE

The Italian Ambassador called at his request this afternoon to discuss several matters—all of which, he said, were of particular significance in connection with the April elections.

Tarchiani said first that he wanted to leave with me a note regarding the possibility of speeding up wheat shipments to Italy during March.¹ He reminded me that Italian grain stocks were being reduced each month, and said that the Italian Government was most anxious that any delay in wheat shipments should not endanger maintenance of the bread ration in the electoral period. He added, however, that imports from Argentina would also have to be maintained if difficulties were not to arise.

I said we would give most sympathetic consideration to this request.

The Ambassador then mentioned the possible purchase by Italy of a number of small vessels, which he had discussed with Assistant Secretary Thorp several days ago, and said he hoped favorable action could be taken at an early date, as this assistance would surely receive most favorable publicity in Italy in the electoral period, providing yet another contrast between the tangible aid received from the US and the flow of propaganda from the east.

I told the Ambassador that I was not familiar with this matter, but promised to look into it.

Turning then to the general question of propaganda and its influence on the Italian elections, Tarchiani referred to the recent Soviet broadcast of its note to the Italian Government reiterating Soviet sup-

¹ No. 1557, February 18, 1948, not printed.

port of Italian trusteeship for the former colonies.² He said this announcement was obviously intended to serve Soviet political aims, but that it would nevertheless have a favorable effect in Italy. The Italian Government was constrained, of course, to welcome the announcement officially, and it was to be expected that this would raise in the minds of the Italian people the question of the attitude of the other powers. The Foreign Office had therefore taken the responsibility of permitting the Italian press to infer that the US, UK and France might not be too unfavorable to Italian trusteeship, and that there was at least a possibility of further announcements in this regard.

I reminded Tarchiani that the Soviet announcement had been made at a time when the Commission of Investigation was still at work in Somaliland, and that it would seem most improper for us to indicate a final decision until the Commission's reports on the wishes of the inhabitants had been studied and we had heard the views of the other interested governments. I feared therefore it might be unwise for the Italian Government to give an impression that an announcement of our decision might be expected. I added that I felt sure the Italian Government would want to take discreet action to insure that the Italian people understood the political implications of the Soviet move.

Tarchiani replied that he thought the majority of the Italian people understood the Soviet statement was an "election promise", but that it would nevertheless have an effect, since it was the kind of news the Italians like to hear.

In this connection, he referred to the general attitude towards Italy of France and the UK, and especially the latter, which he felt could be handled more wisely. Actually, he said, Italy's relations with both France and the UK were progressing extremely well, and the Italian Government was gratified by the increasing friendliness of the British and French as evidenced in official contacts and discussions. On the other hand, the public attitude of the British Government was still something less than friendly to Italy, while the French attitude also was frequently unfavorable; this had created an atmosphere in which Soviet propaganda was having a greater influence than need be the case if all of the Western powers were to demonstrate friendship for Italy.

Here follows a discussion of specific issues between the Italian Government and other governments.

Tarchiani said that he had brought up the foregoing only because in the Italian mind the UK, and the West generally, was so closely associated with the US. Any unfriendly attitude on the part of either

² See p. 896 and footnote 3.

the UK or France could therefore only detract from the effectiveness of the friendship and assistance which the US had so consistently displayed towards Italy. He added that Latins were always quick to take offense at being slighted, and in their present circumstances the Italians were inordinately anxious for indications that they were regarded as equals.

In conclusion, Tarchiani reverted to the question of the Soviet declaration, saying he hoped the British at least might find it possible to indicate that, subject to the findings of the Commission, they were prepared to give favorable consideration to Italian trusteeship.

I reiterated to the Ambassador our position regarding any statement on the former colonies at this time, but suggested that if the Italian Government felt a need further to counteract the Soviet declaration, it might wish to consider the possibility of issuing a statement recalling the economic assistance and political support given Italy in the past by the US, as well as the UK and France, pointing out that a Commission of Investigation was now in the former colonies so that the Council of Foreign Ministers might have additional data on which to base their decisions, and expressing the Italian Government's confidence that the ultimate decisions would be favorable to Italy.

865.00/2-2148 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, February 21, 1948—1 p. m.

761. 1. In the June 1946 elections the Communist Party of Italy, which numbered at that time approximately 2 million members, received about 4,343,000 votes (18.7 percent), a ratio of 2.17 votes per party member. The Socialist Party, which claimed approximately 860,000 members, polled 4,745,000 votes (20.7 percent) or approximately five votes per member. The Communists and Nenni-Socialists claim membership today of roughly 2,330,000 and 790,000, respectively.

Applying the 1946 ratio to the April elections, the CPI would receive 5,130,000 votes and the SPI 3,950,000 votes, a total of over 9 million. However, it is not believed that Socialist influence would catch the same number of non-party votes in the coming elections inasmuch as they, compromised by the Communists in the eyes of certain sectors of the electorate and discredited by such outstanding leaders as Saragat, Farravelli¹ and Lombardo, have lost considerable ground since 1946. On other hand, it is likely that the CPI ratio has

¹ Giuseppe Farravelli, member of the Central Committee of the PSLI and editor of *L'Umanità* of Milan.

increased especially in the south where they made great strides during 1947. We are inclined to believe that the ratio for the Communist-Socialist popular bloc may well turn out to be three votes per party member. This would give the bloc approximately 9,400,000 votes or almost 40 percent of the estimated electorate of 24 million. The consensus of qualified observers in Rome concedes 8 to 10 million votes to the extreme left. At this early stage in the electoral campaign we are inclined to favor the higher figure and would place our preliminary estimates at perhaps 9,500,000 (40 percent). If this is correct, the left bloc would receive a plurality with the Demo-Christians obtaining perhaps 35 percent of the votes and the other minor parties running individually (Republicans) or united (UQ and liberals; PSLI and Lombardo Socialists; etc.) receiving 25 percent. There is, of course, the possibility the leftist bloc will win a majority. This, however, is not anticipated by most observers here unless through a violent awe-inspiring political campaign the Communists should succeed at the last moment in intimidating large numbers of voters into staying away from the polls. In this connection the Prime Minister informed me in confidence that he had reliable information that the Communist electoral expenditures planned for the three northern industrial provinces alone amounted to over 3 billion lire—a fantastic amount in Italy which means that the Communists have in fact unlimited funds.

2. A study of the results of the communal elections held during 1947 (reEmb despatch 237 February 10)² and 1948 at Pescara (reEmbtels 719, February 18)³ shows that the center parties selected 1577 municipal candidates, the right 156, the extreme left 1241, with 1881 “unknown”. An attempted breakdown of the unknowns, based on geographic and other considerations, gives 955 to the center-right, 682 to the extreme left, and 244 still unknown. On a percentage basis we figure that the right-center received 55 percent of the votes in the communal elections, the left 40 percent, with 5 percent unknown.

3. The minister of the Interior has stated that there are approximately 30 million persons eligible to vote (reEmbtel 506, February 4).³ We figure that abstentions will be high because of fear of a sizable proportion of the electorate, caused by Communist intimidation, to take a stand against the extreme left. We estimate that somewhere in the neighborhood of 24 million people will vote (80 percent of the electorate) electing approximately 600 deputies.

4. On the basis of the calculations contained in paragraphs 2 and 3 above, and figuring that Communists will put forward three candidates

² This despatch, not printed, transmitted tables of the electoral returns of 1947 compiled by the Italian Central Statistical Institute (865.00/2-1048).

³ Not printed.

to every one Socialist, the lineup of the future Chamber of Deputies might be well somewhat as follows: Christian Democrats 210; Communists 180; Socialists 60; others 150.

5. Although the non-Communist parties are participating in the elections individually or in separate blocs, it is probable that they will form some sort of a non-Communist parliamentary bloc in the next government. Thus, at the time of formation of that government there may well be a non-Communist bloc made up of forces ranging from Saragat-Lombardo group on the left to the UQ-Monarchists on the right representing 60 percent of the people and a leftist, Communist-controlled bloc representing 40 percent of the people. In some respects a two-party system would be setup.

6. De Gasperi or some other non-Communist leader might form a government without the Communists or Socialists. It is generally believed however that if he endeavored to do so, in view of the great strength of the Social-Communist minority and of the fact that his United group may well obtain a plurality in the elections, such a government would lead a precarious life since the Communist-Socialist forces would resort to "direct action" in order to blackmail themselves into the government.

7. Another possibility would, of course, be the formation of a government in which the Socialists and Communists were invited to participate. It is probable that in such case the Communists would not demand key ministries (Interior, armed forces, or Foreign Office) but would insist that some of them would be given to the Socialists whom they, of course, control. Once in the government we are inclined to believe that it would only be a matter of time before they had complete control of it.

8. It is also possible that, should the popular bloc win a plurality, the president might ask the Socialists and Communists to form a government. However, it is not believed that the two would be able to do so in view of the antagonism of the non-Communist forces, the majority.

9. It would therefore seem at this writing that we are faced with the responsibility of: (1) the creation of a new government, similar to the present one, which would exclude the Communists and Socialists, or (2) one which would include them. The first might well lead to civil strife and the second to the eventual formation of a Communist government in Italy, it is our assumption that the Communist-controlled bloc will not win a majority, and thus legally take over immediate control of the government.

10. As we have pointed out in press and other telegrams the Communists have adopted an electoral line that US aid would continue

notwithstanding a popular bloc victory. Terracini himself has made a public speech to this effect which has so far been unrefuted (see Embtel 579, February 10).⁴ It is of the greatest importance that the US position in regard to this damaging line of Communist electoral propaganda should be clarified. At the appropriate period in the electoral campaign (probably a later stage) it seems to us desirable that a high official in the US should publicly point out (possibly in reply to a request or comment on Terracini's allegation) that the Soviet Union and the satellite countries have refused to participate in ERP, that Communist propaganda in Italy has constantly attacked the US and American aid to Italy; that therefore there is no reason to believe that a Communist-controlled Italy subserviently assimilated into the the Soviet orbit of totalitarianism would in any way be willing to participate in ERP or be eligible for US aid which is predicated upon the maintenance of true democracy and cooperation with other democracies towards general European recovery.⁵

DUNN

⁴ This telegram, not printed, summarized the accounts of the campaigning as given in *Messaggero* of February 8. In regard to Umberto Terracini, President of the Constituent Assembly, it reported that "He stated that Front will assume a policy of independence both towards US and towards Russia, and asserted his conviction that democratic America will send its aid to democratic Italy even if Front should take over direction of government." (865.9111 RR/2-1048)

⁵ Telegram 814 of February 25, not printed, reported that a secret survey undertaken by the Christian Democrats indicated that if elections were held that day, they would receive 37 percent of the vote, something which, Ambassador Dunn commented, was certainly not encouraging (865.00/2-2548).

765.00/3-148 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, March 1, 1948—6:58 p. m.

877. Count Sforza yesterday gave me following message for you which he is also transmitting to Bevin and Bidault through their Ambassadors here. Sforza is deeply impressed not only with the developments in Czechoslovakia but by the immediately following moves by Soviets to take over Finland.¹ He said we must recognize we are now in a stage of Russian expansion corresponding to Hitler's 1938 and that 1939 inevitably follows. He said he has accepted invitation to go to Paris for meeting of 16 Western European countries² March 15 but that something positive is needed now to consolidate Western

¹ For documentation regarding the Communist seizure of power in Czechoslovakia, see vol. IV, pp. 733 ff., and for Soviet relations with Finland, see *ibid.*, pp. 759 ff.

² For documentation regarding United States relations with CEEC countries, see pp. 352 ff.

European resistance to Soviet expansion. He says the only thing he sees which could be done now would be a joint declaration by the United States and Great Britain that Soviets have now reached the limit of expansion of their control and that they will not be permitted to extend their control to other Western European states. He said he feels that Italy is the next point of attack by the Soviets either by infiltration or through Yugoslav action but that it would not be desirable for electoral purposes here to mention Italy specifically in any such warning as suggested above. He said the effect would be broader and just as pertinent if it were to apply to all Western European countries.

The Minister said that the anti-Communist forces in Italy would play up the Czechoslovak grab as a warning to Italians who might think Communists could be trusted and that every advantage would be taken of this opportunity to make them the issue in Italy clear as between liberty and totalitarianism. This was done yesterday by De Gasperi, Pacciardi,³ and others in their Sunday political speeches.

The Minister stressed, however, his grave concern over the European situation and while he expressed his complete confidence in the success of the anti-Communist forces in the Italian elections he said he felt that the Communist expansion program was now about to be carried out with a complete contempt for public opinion, public expression, and the feelings of people generally. He feels that in face of the weakness of the western states some such support and encouragement as contained in the above suggested warning is absolutely essential to maintain the solidarity and resistance of Western Europe to the Soviet program of expansion.

DUNN

³ Randolfo Pacciardi, PRI, Vice President of the Council of Ministers.

865.00/3-148: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

[Extract]

TOP SECRET

ROME, March 1, 1948—7 p. m.

879. Mytels 543, February 7, 761, February 21, 814 February 25,¹ indicate my growing concern over the outcome of elections in Italy. I am sure that Department will agree with me that if the Communists and the Communist controlled PSI should succeed in obtaining a sufficient electoral strength to ensure their reentering the government it will mean the defeat of our entire Italian policy and the beginning of a trend towards totalitarianism in Italy that it will be practically impossible to stop. The responsibility of such development will of

¹ See footnote 5, p. 835.

course rest with the Italian people but a Communist electoral victory will also mean a victory for Soviet policy regarding Italy as opposed to the policy of the US. The Soviet Union in its policy in Italy has quite obviously concentrated entirely on direct support of Communist Party in Italy and the unlimited funds now being spent by the Communists for electoral purposes are the result of Soviet support.

As the election campaign develops, the weight of the well-organized, dynamic, and costly campaign of the Communist-Socialist front becomes clearly and disturbingly evident. Through sheer preponderance of expenditures for posters, leaflets, busses, flags, bands, and general paraphernalia of demagoguery the front is pulling in masses in almost every area in Italy. This campaign, of course, is largely based on the dangers of imperialist monopoly inherent in American aid and the Marshall Plan to which are added promises of nationalization of industry and division of the land to the peasants. The successes of what they call the "democratic forces" of Gottwald in Czechoslovakia, Pauker in Rumania, and Rakosi in Hungary, are headlined as indication of the strength of the "peoples" Communist movement which will inevitably take over all of Europe. With considerable skill and alarming success they are playing up the Italian propensity to flock to the winning banner.

Practically all the non-Communist Italians with whom we have conversed during the past two weeks appear greatly concerned over the present trend of public opinion. They see their own campaigns as pitifully small and inadequate as compared with the blazing fanfare of the Communist-Socialist front, yet they claimed to have gathered every available lira from industry and from individuals. They state that the business recession, the stringency of bank credits, the severe drop in the value of securities on the *bourse*, and the heavy demands of the patrimonial tax have made it impossible for them to raise funds which are comparable to those available to the Communists.

The Prime Minister himself has remarked to me on the wave of alarm which has penetrated quite generally since the Pescara elections.

DUNN

865.00/2-2548 : Telegram

The Secretary of State to the Embassy in London

TOP SECRET

WASHINGTON, March 2, 1948—7 p. m.

721. For the Ambassador. Dept is repeating for your info Rome's 543, Feb 7 and 814, Feb 25¹ giving Amb Dunn's estimate results Ital elections Apr 18. As you will see therefrom, outlook is none too favor-

¹ See footnote 5, p. 835.

able, but we agree with Dunn balloting will be influenced in large measure by developments intervening weeks.

We also concur US actions will have direct bearing on elections, and will take all feasible steps to evince firm US friendship toward Italy. It is obvious that effect these measures would be greatly enhanced if accompanied by steps showing UK and France also fully support present moderate Ital Govt. We hope therefore UK will take every opportunity during electoral period to join with US and France in demonstrating to Ital people their attachment to West is reciprocated; that real issue faces them in coming elections; and that only truly democratic govt can achieve for them that equality in family of nations and reasonable prosperity which they ardently desire.

Pls discuss this matter with Bevin at early date and impress upon him seriousness with which we regard situation as well as urgency we attach to remedial measures, which have now assumed particular importance in light For propaganda to Italy. You shd say that aside from measures we may be able to take, on which we shall keep FonOff informed, and in addition to steps planned by Fr Govt (Paris' 1061 Feb 27, rpt London 120)² it seems to us immediate action shd be taken in connection with presentation Ital views re German economy, transfer to Ital Govt of proceeds German assets in Italy, closer consultation with Ital Govt on CEEC and other matters of general European interest, and admission Italy to Tangier regime without delay. We feel that such measures will further identify Italy under present Govt with western democracies and go far to remove feeling Italian people that Italy occupies indecisive position between East and West.

Another and highly important matter would be Labor Party support of those Ital Socialists opposing Communists. While we admit these groups constitute small minority of all Socialists in Italy, we are nevertheless convinced that rank and file Socialist Party are basically opposed . . . subservience to Communists, and might well be won away . . . if Labor Party and FR Socialists were to give wholehearted support to Saragat, Lombardo and other Socialist leaders who are openly fighting Communism.

²This telegram, not printed, reported that the French were severely shaken by Moscow's "naked action" in Czechoslovakia and considered that Finland was already lost. In Italy they considered the situation touch and go, and explained that Bidault was planning:

1) To inform the Italians that they might accredit military and naval attachés in Paris;

2) To recede to Italy a portion of the Alpine area ceded to France by the Treaty;

3) To reconstitute an Italian national organization in France favorable to De Gasperi in place of the Communist-dominated "Italia Libera";

4) Himself to visit Turin about March 15 to sign the Franco-Italian customs union agreement;

5) To support Italian trusteeship over its former colonies. (865.00/2-2748)

In conclusion, you may say we wish continuing consultations this subject and are most anxious for any suggestions Bevin may have for further action.

Urtel 755³ indicating Bevin thinking along similar lines received subsequent drafting foregoing and being given further consideration.

Meanwhile also, Bonnet saw Lovett Mar 1 re Ital colonies (point 5 Paris Tel 1061) and urged US support proposed French statement. Lovett indicated appreciation importance issues involved but, in reiterating previous US position against expression US views while four power study problem in process, added maximum we can do is continue consider possibilities.

Sent London 721, rpt Paris 662, Rome 544.

MARSHALL

³ Not found in Department of State files.

865.00/3-348: Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, March 3, 1948—8 p. m.

1148. Department's 662 March 2¹ just received (Department's 663 March 2)² and I will discuss the Italian question at once with Bidault. The following information obtained today from high Foreign Office official is of interest as an indication of latest French thinking:

Foreign Office continues to view the situation in Italy with utmost gravity (my 1061 February 27)³ and feels that while US, UK and French Governments may each independently be able to take certain steps to strengthen the present Italian Government, the combined efforts and cooperated action of the French, British and US Governments in certain questions is essential.

The following measures which the French can take themselves without tripartite cooperation being necessary or even desirable have been approved by the government:

1. In addition to accepting Military and Naval Attachés (on the condition they are not Communist, my 250 January 15⁴) French have informed Italians they may now also accredit consular representatives to France and consular agreement will soon be signed.

2. The French Government will retrocede certain territories acquired recently from Italy as a result of the peace treaty. The delimitation of such areas is being worked out by the National Defense Minister.

¹ Same as 721 to London, p. 837.

² *Ante*, p. 628.

³ See footnote 2, p. 838.

⁴ Not printed.

3. Bidault has accepted Sforza's invitation to visit Turin for the signing of the Franco-Italian customs union agreement. While definite date not yet fixed he envisages about March 10. As former President of the National Council of Resistance he will decorate Italian resistance heroes and will also make a speech where he will announce that France will retrocede certain territories. He will also announce France is not demanding full compliance with naval protocol of Italian treaty insofar as repairing Italian ships is concerned which will assist Italian economy and that France will not take all vessels allocated her.

While my source said that the above measures may be helpful to De Gasperi Government the French believe that they are of very secondary importance compared with the vital question of the colonies and to lesser extent the question of Trieste. Foreign Office believes Italian people are more interested in the fate of the colonies than anything else and that Communists as a result of Moscow's stand on Italian colonies are making much hay. He said French believe that it is imperative that the US and UK join with the French in some tripartite formula which "must be announced before March 25 if it is to do any good," which would place three governments in support of principle of Italian sovereignty over colonies. He expressed hope that US would go along with the French on this, and would also work on the British, who, he believes, are the main stumbling block for any such action.

Foreign Office is also seriously concerned about Communist exploitation of Trieste. According to Foreign Office's information the Soviets have through Belgrade put forward some feelers to the Italians indicating that if the Americans and British will get out of zone A Moscow would not be opposed to Italy re-acquiring sovereignty over zone A. He said Italian Communists are spreading the story publicly and in governmental and parliamentary circles in Italy that Moscow is not opposed to the reestablishment of Italian sovereignty over Trieste (implying all of Trieste) and that it is the US, France and UK who wish to deprive Italy of the area. While French thinking on how to combat this propaganda has not yet fully crystallized, the present thought of Foreign Office is that the US, British and France would counter this by stating that they do not oppose the return of all of Trieste to Italy. Foreign Office appears convinced that the Soviets have no intention of ceding zone B to Italians and that they would be obliged to come out and say so thereby putting themselves squarely on the spot and knocking the props from under their propaganda.

In conclusion our informant expressed again the "imperative necessity" for tripartite action in the colonial question and to lesser extent on Trieste.

Repeated to London 143, to Rome 94, to Moscow as 73, to Berlin as 80, and to Belgrade as 13.

CAFFERY

840.50 Recovery/3-348 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL

ROME, March 3, 1948—8 p. m.

922. Members of Embassy staff had conversation today along following lines with Santi, Socialist (Nenni) secretary of CGIL.¹ Santi had attended CGIL Executive Committee meetings at Milan and Bologna last weekend at which 13 to 4 decision was taken declining invitation participate London TUC Conference on ERP.

1. At Rome meetings of committee prior to Milan, Santi had attempted find compromise formula for Italian participation through "observer", but Di Vittorio² for Communists opposed. This is best indication position of PSI on ERP. Santi says Communists in CGIL, of course, are dead against ERP, regardless what some of them may say publicly, and that although Socialists go along for "obvious" political reasons they emphasize in CGIL and elsewhere that Italy's economic dependence upon foreign aid precludes outright opposition to ERP by Italian labor and that accordingly door must be kept open. PSI position formally is that they are undecided about ERP and need to know more about it. They believe that they would have some suggestions to make, and complain that Italian (i.e.) De Gasperi government has not consulted them nor told them what "Marshall Plan" consists of.

2. Communist-Socialist majority in CGIL is united desire not to take any action which weakens their support of WFTU. Majority opinion shared by Santi, is that London Conference is political. This view reinforced by Saillant³ during Milan talks.

3. Compromise reached by CGIL, while deciding not to attend London, was to indicate "interest" in ERP by inviting discussion on subject between CGIL and CIO leaders (telegram was sent yesterday to Philip Murray,⁴ Santi said, suggesting a meeting). Also, albeit unwillingly, majority has decided to make no issue of the liberty of minority elements to send observers to London meeting on personal informal basis.

¹ Fernando Santi, a member of the directorate of the P.S.I.; a member of the C.G.I.L. delegation to Russia in 1945.

² Giuseppe di Vittorio, Communist; Secretary of the C.G.I.L.; Vice President of the World Federation of Trade Unions.

⁴ Philip Murray, President of the Congress of Industrial Organizations.

³ Louis Saillant, Secretary General of the W.F.T.U.

4. Attitude of CGIL obliged by De Gasperi Government's partisanship toward ERP from which De Gasperi seeks to derive strength, to be politically opposed. Santi pretends that election issue in Italy is De Gasperi Government, not Communism.

5. In regard CIO report of ERP before Congress, we asked, after CGIL talks with CIO, what would PSI do? His reply was evasive; for example he observed there is doubtless also a minority view in CIO and that CGIL would like to get full picture. We hit back at once that in democracy minority views are not stifled, and summarized recent developments in regard Communism in CIO Union of Auto Workers.

6. "What", we asked, "would CGIL position be if Communists did not control CGIL and dominate PSI?" He sighed that life would indeed be much easier.

Sent Department as 922, repeated Paris 119, London 81, Moscow as 24.

DUNN

811.911/3-548: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, March 5, 1948—6 p. m.

950. Responsible Foreign Office officials, who have been most interested in recent campaign in Italian language *Progresso* and in other American newspapers requesting their readers to write to relatives in Italy re present political situation (see my despatch No. 139, January 28), have now come forward with the suggestion that this campaign be placed squarely on electoral issue of communism or democratic government friendly to the US. They say that the effect of letters or postcards written to relatives, particularly in southern Italy, would be tremendous, especially should those communications urge the addressees to vote in the elections for some party other than the present Communist dominated Fronte Democratico Popolare. Would Department be disposed to support such a proposal which would be very helpful in the elections? ¹

DUNN

¹ In a subsequent telegram, 1114 of March 13, not printed, Ambassador Dunn suggested that the writers in America include the statement that they would no longer be able to send gift and food packages if the Italians voted the Democratic Front into power (811.911/3-1348).

865.00/3-648 : Telegram

The Ambassador in Great Britain (Douglas) to the Secretary of State

TOP SECRET

LONDON, March 6, 1948—7 p. m.

910. For Douglas's eyes only. To be delivered personally to Ambassador Douglas.¹ Following is record of March 6 talk with Bevin: "Douglas called on Bevin this morning to have final talk, before leaving for Washington, on number pending matters. Following subjects were covered during talk:

"Possible ways strengthening De Gasperi government; withdrawal of ambassadors from Praha for consultation; reparations' ERP; and CEEC.

"A. DE GASPERI GOVERNMENT

"Bevin opened conversation on subject. Careful thought, he said, is being given to steps British Government can take to strengthen De Gasperi government, particularly during period of electoral campaign. He then reviewed what British were prepared to do.

"The TUC, he said, had invited Christian Union trade group to send observers to trade union talks on ERP opening in London next week. Bevin here explained that while French have now three trade union groups, the CGT, Force Ouvrière, and also a Christian Union group, all of which are recognized by TUC, and therefore, under TUC rules eligible for formal invitations, there is but one comparable organization in Italy, the CGT. But the TUC did not want to invite it to send delegates. It turned, therefore, to the break-away Christian Union group and while being barred from asking it to send delegates, it had asked that observers be sent. As observers they will not be able to vote. The move does show, however, that the TUC wants friendly relations with Italian trade union group close to De Gasperi government.

"As to some move by British Labor Party to strengthen position of Saragat wing of Italian Socialist Party, Bevin explained that word was still awaited from Morgan Phillips, Secretary General of British Labor Party, as to what can be done in this field. It is actively under consideration. The thing that had to be kept in mind in this connection, Bevin pointed out, was how to weaken Nenni and his group without making a martyr of Nenni.

"On the question of future of Italian colonies, Bevin said nothing

¹ Ambassador Douglas planned to fly to Washington, leaving London March 6, but had to postpone his flight by one day because of fog (London telegram 908, March 6, 1948, File 123 Douglas, Lewis W.). He arrived in Washington March 7 (Departmental telegram to London 794, March 8, *ibid.*).

Presumably Douglas proposed to show the message directly to Secretary Marshall.

could now be done. British Government maintained position that nothing could be said or done until commission investigating colonies had completed its task. Douglas stated here that that, too, was position of US.

"As to readmission of Italy to Tangier administration, Bevin agreed with Douglas that now that Soviets had agreed to Italy's readmission, everything should be done to make Italy's readmission effective as soon as possible. A message in this sense had just been sent by Foreign Office to Washington, Paris and Tangier.

"British Government, Bevin continued, is now consulting with French Government to see whether France will agree with British to waive surrender by Italy of war criminals guilty of crimes against French and British subjects. Effect of this would be to leave Yugoslavia as only other country still calling for surrender of this category of war criminals and leaving it to Italy to deal with them under Italian law.

"Bevin also said a ship was being sent to Trieste for repairs. He suggested that if we had any ships in that part of Mediterranean that needed repairs, it would be good if we did same thing.

"He was doubtful of advisability of sending Naval ships at this time on visits to Italian ports. Douglas said he shared Bevin's doubts.

"Bevin then said that if the elections go along in ordinary way in Italy, British did not want to interfere. But if between now and election day De Gasperi government should be threatened by another regime, De Gasperi government should not resign but insist on remaining as the legitimate government and then, Bevin said, question of military support for De Gasperi government should be considered. That was the line his thinking was taking. (For what it might be worth, he said, he had received a report that Russians were now easing up on Greece but preparing for some kind of *putsch* in Italy. A record of this, he emphasized, could be made for Douglas' personal memory.)

"At this point, Douglas brought up question of giving Italy opportunity present her views on German economy.

"Bevin replied to this that he would discuss with his colleagues whether they would be agreeable to handing Italians synopsis of Cabinet paper covering tripartite talks on Germany. If this were done, any Italian views or comments could then be considered at next tripartite talks on Germany. Douglas here said he saw no objection giving Italy such synopsis.

"Bevin then said, and emphasized that this should be kept very guardedly, that if he could get Cabinet clearance he would next week, when he hopes to see Bidault, have a 'behind the scenes talk with Bidault' to get French agreement to Italy's admission to African

Development Council. If this could later be cleared with Belgians and Portuguese, it would pave way for using Italian manpower in various agricultural and building projects in Africa.

"B. AMBASSADORS IN PRAHA

"Douglas told Bevin we had decided not to withdraw our ambassador in Praha for consultation. Bevin said he was glad of that, and that British ambassador would also not be called home.

[Here follow summaries of Mr. Bevin's views on Reparations, the European Recovery Program, and the Committee for European Economic Cooperation.]

DOUGLAS

865.00/3-1048 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL URGENT

ROME, March 10, 1948—8 p. m.

1030. Week ending March 6 saw intensification of Italian electoral campaign in further clarification of real issues involved: western democracy versus eastern totalitarianism. The campaign of posters has just begun. First samples on Popular Democratic Front side include bloody violent colonial scene (Mogadishu) attributed to "Anglo-American imperialists" alongside hand of Soviet friendship being extended to Italy across map of central Mediterranean showing Libya as Italian territory (see my 895 March 2)¹ Democratic Christian's early contributions are handbills showing number of hours Russian, Italian and American laborers must work to earn a kilogram of bread, of meat, of sugar, a man's woolen suit, et cetera, all of course greatly to detriment of Soviet economy. Campaign speeches previous weekend of De Gasperi at Ancona, Togliatti at Naples, Saragat at Brindisi, Simonini at Bergamo, Pacciardi at Venice and Lucifero at Cosenza dealt increasingly with the conflict of views between east and west, between democracy and dictatorship, between "reactionary forces of imperialism" and "progressive democracy," between human liberties and the supremacy of the state. From the Liberals of Lucifero to the Socialists of Saragat the campaign orators praised American aid, supported the Marshall Plan and warned the electorate of the ominous significance of the Communist coup in Czechoslovakia, while the Popular Front speakers claim that only they represent the working classes and strive for peace against "American imperialists" and "Vatican reactionaries", i.e. the Christian Democratic Party and the De Gasperi government.

¹ Not printed.

The fight between the Communist Party and the moderate democratic elements was, during the week, carried into the CGIL (Italian General Confederation of Labor) when the minority therein composed of Democratic Christians, Republicans and PSLI (Italian Socialist Workers Party) refused to be governed by decision of Communist-controlled majority and announced its intention of sending representatives to Trade Union Congress discussions in London on Marshall Plan. While minority decision is in substance a break in Italy's united labor organization it may well presage end of nominal labor unity represented by CGIL (see mytel 977 March 6).² None of the various factions represented therein, however, wish to assume responsibility before laboring classes for complete break.

The implications of the Communist victory in Czechoslovakia are not lost on the Italians and the apparent ease with which it was achieved has impressed average Italian voter with the strength of the Communists as a political party and of the USSR as a powerful and all too close neighbor. While it may have confirmed in the minds of the more thoughtful voters their views of Communists complete disregard of democratic processes, its general effect on average Italian electorate unhappily has probably been to increase the prestige of the local Communist Party and direct the politics . . . toward the Communist bandwagon.

Embassy has had reports of large-scale hedging in the middle and upper classes to preserve fortunes and political futures. Evidences of growing anxiety in these classes are increased flight of capital, clandestinely, abroad; preparations to emigrate abroad; and even hasty inscription in the Communist Party by professional men and well-to-do landowners. While this feeling in the middle and upper classes has not yet reached anything like a stage of panic, it might, if it continues to accelerate, result in large-scale absenteeism from the polls by a normally anti-Communist electorate or even isolated resorts to violence by extreme rightist.

Deepening anxiety and pessimism on the part of the non-Communist elements is evidenced in the increased and overt activity of the Roman Catholic Church in the Italian election. The Archbishops of Milan, Palermo and Turin have separately and in varying degrees attempted openly to influence their congregations away from the Communist front in the coming elections. Qualified observers agree that the Italian hierarchy of the Church is now firmly following Pope's lead, given several months ago, that the Church cannot remain aloof from any sectoral struggle the outcome of which obviously affects its existence and the very seat of its power.

² Not printed.

The failure of Lucifero's plan to unite central and right wing parties into "anti-Communist bloc" for electoral purposes has pointed up the disadvantage at which the non-Communist political groups find themselves in confronting the single ticket of the Communist front. While it is generally conceded that the front will win as many or more votes than the Democratic Christians there is widespread difference of opinion on effect Popular Front plurality would have on formation new government. Competent observer Foreign Ministry opines that Popular Front electees will, at Parliament's convocation twenty days after election, reform their traditional Socialist and Communist parliamentary groups therein and that politico called to form government will be leader of strongest single party, presumably Democratic Christians. On the other hand member of Prime Minister's entourage is of opinion that Popular Front will maintain its identity after elections and that President of Republic may feel obliged to call upon its leaders to form new government if that list should win plurality. While any new government formed must eventually submit itself to Parliament for confidence vote, this could of course be sufficiently delayed to give Popular Front incumbents opportunity to do considerable harm to democratic structure and institutions. This official believes that present government will administer country during interim period between elections and convocation Parliament and that new government will be formed only after Parliament has elected new President of Republic. Consequently role of new President will be of first importance and his political sympathies of significance.

Sent Department 1030, repeated Paris 139, Moscow 27, London 100.³

DUNN

³ A summary of this telegram was sent to Kennan on March 12, Departmental telegram 319 to Manila, not printed (865.00/3-1248).

840.50 Recovery/3-948: Telegram

The Secretary of State to the Embassy in Great Britain

SECRET URGENT

WASHINGTON, March 10, 1948—7 p. m.

848. For Berger.¹ Advise Carey² object of DiVittorio meeting him London (urtel 944 Mch 9)³ seems obviously to make political capital for Italian Communist Party in coming Italian elections by implication that non-support ERP, even Communist victory, does not mean

¹ Samuel D. Berger, First Secretary of Embassy in London.

² James B. Carey, Secretary-Treasurer of the C.I.O.

³ In this telegram, not printed, the London Embassy reported that the Trieste delegation had been seated as visitors to the Trade Union Conference on the E.R.P., and that the C.I.O. and A.F.L. had asked for full status for the minority in the C.G.I.L. but were unwilling to make an issue of it (840.50 Recovery/3-948).

Italy will fail get American aid. Mere fact meeting occurred would support that impression in Italy. Carey may wish avoid giving Di-Vittorio and Santi slightest encouragement and issue statement after meeting that he informed them Italy's best interest, if she desires American aid, is to support ERP.⁴

MARSHALL

⁴ Rome's press telegram 1109 of March 13, not printed, reported that several Rome newspapers carried Carey's statement to di Vittorio and Santi saying: "CIO fully supports Marshall Plan and considers it completely non-political. Allegedly added that if CGIL so desired there would be no difficulty in requesting the government in Washington to exclude Italy from ERP. di Vittorio allegedly replied Italy wished aid but objected to certain conditions; whereupon Carey said that ERP was not a marmalade from which could be picked only the cherries or nuts." (840.50 Recovery/3-1348)

761.00/3-1548: Telegram

The Director of the Policy Planning Staff (Kennan) to the Secretary of State

TOP SECRET PRIORITY

MANILA, March 15, 1948—noon.

419. For the Secretary and the Under Secretary from Kennan. I have naturally been much concerned over trend of events in Europe, as reflected in informational items Department has been kind enough to send to me, and thought perhaps a word of comment might be helpful to you.

I have always felt that the Russians neither wanted nor expected a military contest with US and that no military complications were likely to occur in our relations with them unless: (a) their political fortunes were to advance too rapidly in Europe and they were to become dizzy with success; or (b) they were to become really alarmed for security of their power in eastern Europe and to take foolish and precipitate action to prevent its dissolution.

Strangely enough, in their recent actions in Europe I think there is something of both these elements. I suspect that many of the European Communists, partially victims of their own propaganda, are excited by recent successes and by prospect of seizing rich prizes in western Europe. On the other hand, the savage abruptness and cynical unconcern for appearances of recent action in Czechoslovakia leads me to feel that Kremlin leaders must be driven by sense of extreme urgency. They probably realizing that they are basically over-extended in eastern Europe and that unless they can break unity of western Europe and disturb ERP pattern it will be difficult for them to hold on in eastern and central Europe, because resulting material contrast, added to the incurable desire of all eastern and central European

peoples to be considered part of western civilization, would probably prove decisive in the end.

If this analysis is correct, then there is indeed a real and new element of danger in present situation, and we must be prepared for all eventualities. Top priority is of course due to effort to improve our basic military reserve position at home. As far as Europe is concerned, Italy is obviously key point. If Communists were to win election there our whole position in Mediterranean, and possibly in western Europe as well, would probably be undermined. I am persuaded Communists could not win without strong factor of intimidation on their side, and it would clearly be better that elections not take place at all than that Communists win in these circumstances.

For these reasons I question whether it would not be preferable for Italian Government to outlaw Communist Party and take strong action against it before elections. Communists would presumably reply with civil war, which would give us grounds for reoccupation Foggia fields or any other facilities we might wish. This would admittedly result in much violence and probably a military division of Italy; but we are getting close to the deadline and I think it might well be preferable to a bloodless election victory, unopposed by ourselves, which would give the Communists the entire peninsula at one coup and send waves of panic to all surrounding areas.¹

[KENNAN]

¹ A handwritten notation at the end of the document reads:

"1. Action to outlaw C.P. before election or to postpone election would be certain to cause civil war.

"2. Non-communist parties have a good chance of winning election without any such drastic steps.

"3. Therefore action recommended by GFK seems unwise. Instead, U.S. Govt. should do everything it properly can to strengthen non-communist forces and parties. J[ohn] D. H[ickerson]"

840.50 Recovery/3-1548

*Memorandum Prepared in the Department of State*¹

[WASHINGTON,] March 15, 1948.

(A) Should Italy fall under Communist control, what would be the effect on the European Recovery Program generally?

¹ The memorandum, prepared for the Secretary of State, was initialed by the Assistant Secretary for Economic Affairs, Thorp, by the Ambassador to the United Kingdom, Douglas, the Director of the Office of Near Eastern and African Affairs, Henderson, and the Director of the Office of European Affairs, Hickerson.

The memorandum was in response to an "urgent" memorandum of the same date, not printed, which was addressed to the four by the Secretary who requested answers to the two questions as stated. Senator Vandenberg had asked the Secretary that morning for answers which he could use in the debate on the Greek-Turkish program. (840.50 Recovery/3-1548)

(B) Should Italy fall under Communist rule, what would be the effect on Greece and Turkey, particularly in relation to the proposed aid program?

It does not seem probable that in a free and fair election the Italian people would abandon their liberties and vote in favor of a regime controlled by the Italian Communist Party which has openly declared its opposition to the European Recovery Program and to the American aid which is to make that recovery possible.

Should the Italian Communists seize power in Italy by illegal means, this would create a situation which would so seriously affect the national security of the United States that we would be compelled to re-examine all our Recovery Programs and the entire European situation.

We cannot afford to postpone action upon the Greek and Turkish program pending the outcome of the struggle now taking place in Italy. We must make clear to the Greek people that they have our support in their heroic efforts to maintain their independence. Also we must demonstrate to the Turkish people that they, too, can continue to depend upon our assistance.

865.00/3-1648 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL URGENT

ROME, March 16, 1948—9 p. m.

1162. Public currents of opinion here toward forthcoming election since March 6 (mytel 1030 of March 10)¹ show popular Democratic Front channel is broadening. Responsible observers agree PDF will poll 40 percent of vote with several reputable American correspondents predicting 45 percent for PDF and 35 percent for CD with remaining percentage divided among other government and right parties. Regardless of outcome opinion is unanimous upon inevitability of dealing with heavy PDF demand for democratic government posts.

Effect upon Italians of international events such as Czech coup, Masaryk death, ERP and steps toward western European unity has been varied depending upon political convictions and awareness of each voter. Press has undoubtedly pointed up sharpening of east-west issue, but each paper—and none are without convictions—has slanted these events in line with its political views and those of its subscribers. The greatest result however has been to shock into political awareness many left of center and independent elements, who had up to present

¹ *Ante*, p. 845.

entertained a certain tolerance toward collaboration with Communists. Net effect on the electorate at large however is still believed to be unfavorable to anti-Communist parties and electoral lists.

Meanwhile intensity of Italian electioneering struggle has continued to increase. No disorders except for Saragat's experience at Pistoia (see mytel 1021, March 1).² The "political truce" continues in force and apparently suffered no serious strain either from Communist complaints of tone De Gasperi speeches or Saragat's experience of political intolerance. Reports indicate Communists are satisfied with present "controlled unrest" prior to elections. The church through the Pope has taken a resolute stand against the Front as reported in mytel 1030; the CDs are showing energy in giving their electoral story, and are offering telling poster and handbill propaganda competition to Front. March 14, as specimen of every future Sunday until election, saw political leaders speaking throughout country with leading spectacle in Rome being bloc-sponsored women's agency holding a "court of peace" to protest trend to war (see mytel 1086 of March 12).³ Dove of peace is new and growing motif in bloc propaganda and reflects defensive attitude fundamentally underlying bloc press in past week with its major offensive directed upon alleged Vatican Cippico scandal (my A-228 of March 11).⁴ Government and right press unceasingly dwelt upon electoral issues as between Communism and liberty.

New element in campaign is formation of "Democratic Front of Government Employees" which represents PDF views on bureaucratic reform. It sponsored statement to press criticizing public administration (see mytel 1057, March 11)⁵ which was in fact vehicle for attack on De Gasperi government. Importance of "civil servants front" as Communist fifth column in government presently discounted by responsible minister (see mytel 1115 of March 13).⁵ Movement has been somewhat discredited by denials from certain government officials, whose names appeared in early press accounts, that they had any connection with this new Front appendage.

² Telegram 1021, March 9, 1948, not printed. It reported that Saragat was prevented by heckling of members of the Popular Front from addressing a political meeting at Pistoia. He was, however, able to deliver his speech next day at Florence. (865.00/3-948)

³ Not printed.

⁴ Not printed. It summarized press reports regarding the case of the priest Edoardo Prettnner Cippico, accused of many forgeries and swindles. He was expelled from his office in the Vatican archives, and reduced to a layman's status so that the police could take action if necessary. (860H.20266A/3-1148)

⁵ In this telegram, not printed, Dunn reported having learned from Pacciardi, Vice President of the Council of Ministers, "that most of the Communists who were put into the bureaucracy when their party was in government have since been removed, and those who have not been removed have been transferred to innocuous positions and 'isolated.'" (865.00/3-1348)

Only bright spot in week's political developments, and that more apparent than real, was publication of Doxa Poll (see mytel 992, March 8)⁶ which gave Christian Democrats large plurality and reduced the Front's strength in the new Parliament to one-half present current estimates. It also showed increased strength of De Gasperi's personal position in north Italy beginning of 1948. Poll is not considered to present accurate picture election results by most competent observers for reason set forth mytel 1012 of March 9.⁷

While government and politicians and press have emphasized flow of US aid is contingent only upon existence of non-Front government it has been PDF tactics to becloud this most damaging argument and to forestall any break with US and ERP until after the election. The move of CGIL president Di Vittorio and Santi in traveling to London for Carey meeting (remytel 1109, March 13)⁸ is a prime case in point. The outcome, ignored by the Front press in accordance with the Communist "drift" policy, has been gleefully played by government journals as confirmation of their thesis upon the American position.

The colonial issue remains one of outstanding electoral factors ever present in press items and political remarks but they have not changed their position in general public perspective. This sole event bringing extensive comment was statement of FonOff Under Secretary Brusasca (mytel 996, March 8)⁹ giving Italy's proposed program for the colonies.

DUNN

⁶ This telegram, not printed, summarized results of the poll by the Doxa Public Opinion Institute. The poll was taken at the end of January and released March 7. (865.00/3-848)

⁷ This telegram, not printed, reported: "Percentage of vote going to Demo-Christians according Doxa poll (43.6 percent) is larger than figure hazarded by most optimistic appraisals of observers here. Defect in poll, in Embassy's opinion, stems principally from fact that it does not measure greater discipline of leftist parties in getting its voters to polls, as well as intimidation, overt or covert, by which Popular Front will keep others from voting." (865.00/3-948)

⁸ See footnote 4, p. 848.

⁹ This telegram, not printed, quoted *Messaggero* regarding Brusasca's radio message to the population of Libya outlining the program which the Italian Government proposes to realize if Italy is given trusteeship. "Brusasca's promises include Parliament elected by popular suffrage, freedom of speech, press and assembly, and equality between native elements and Italians. He gave assurance no one would be punished for past political opinions or actions and that wrongs inflicted by Italy would be compensated for. 'New parliamentary and administrative organs' would be empowered to regulate immigration from Italy and abroad Brusasca added, concluding that two countries are economically interdependent and promising that Italy would rapidly lead Libya to independence." (865.014/3-848)

840.50 Recovery/3-1648 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

ROME, March 16, 1948—7:55 p. m.

1165. Several Rome papers March 16 report McDermott's¹ statement on continuation of ERP shipments to Italy should Communists win elections.² All reports something at variance with radio bulletin version of McDermott's remarks.³ Saragat Socialist *Umanità* and Independent Rightist *Tempo*, in similar dispatches, quote McDermott as stating that if in elections Italians vote Communist it will not benefit

¹ Michael J. McDermott, Special Assistant to the Secretary for Press Relations.

² The "Memorandum of the Press and Radio News Conference, Monday, March 15, 1948, 12:30 noon" reads as follows:

"Mr. McDermott . . .

Q. There was a story in the *New York Times* by Sulzberger—

A. I saw that John.

Q. It says that the United States is going to make some sort of an announcement of barring aid from Italy if the Communists take over.

A. There is no such decision reached by the government of the United States. Cy Sulzberger says this Government will make an announcement and then I am saying this: No such decision has been reached by the Government of the United States. The story may well have originated from the Senate debate on ERP in the course of which the intent of the Senate was pretty clear. The Communists in Italy have said they don't want ERP and if the Communists should win, which we cannot believe will be the case, knowing the spirit and feeling of the Italian people, there would be no further question of assistance from the United States.

Q. The decision apparently was made to make the announcement. Who is making the statement?

Q. This confirms the story.

Q. This confirms the decision.

Q. This makes the announcement.

A. It is a comment on the story. It is not an announcement.

Q. Mac, has not the Senate Bill made it clear—

A. The reason I made it, there is a definite line of demarcation here. I have been asked about a question about a story written out of Paris and I just cannot let that story go without making an answer.

Q. You mean you had no plans to issue this statement until we asked?

A. This is not a statement. This is my answer to your question.

Q. If the story had not been published, you would not have made this comment?

A. Absolutely not. I am answering your question.

Q. Is this a State Department answer?

A. You can attribute it to me, if you want.

Q. . . ."

(Daily News Conferences—Office of the Special Assistant to the Secretary in Charge of Press Relations—Department of State, 111, 1948)

³ In telegram 1189 of March 17, not printed, Dunn reported that the Communist organ, *Unità*, of March 17 stated: "USIS hurried yesterday to publish official text of declaration (State Department's declaration) . . . on aid. In text it is affirmed 'spokesman of State Department denied yesterday news from Paris according to which US Government intended to declare that American aid to Italy . . . would be interrupted if Communists won elections.'" (840.50 Recovery/3-1748)

further from economic help from United States. Both say McDermott stated that PCI had signified it did not wish ERP and therefore if Communists win "the United States will suspend all assistance to Italy." *Tempo* features article in middle of front page with large headline "America Will Suspend Aid If Front Wins Elections." *Umanità* prints item in inconspicuous back page report headlines "Grave American Declaration. No Help To Italy In Event Of Communist Victory." *Tempo* and *Messaggero* also publish McDermott's denial that President Truman has given me special powers to order marines to Italy if Communist coup seems imminent before election. Independent Conservative *Messaggero* in conspicuous front-page article headlined "America Will Suspend All Aid If Communists Win In Italy" says that while McDermott statement regarding aid refers only to Marshall Plan it has been learned from "authoritative sources" that Communist government in Italy would not receive aid of any kind from US. Leftist *Paese* in small page four article reports McDermott's statements regarding aid in article entitled "Electoral Maneuver. No More American Aid To Italy In Case Of Communist Victory." After reporting McDermott's statements on aid, however, *Paese* says it has learned from other sources that Republican circles opposing Truman's policy have other plans and that in event of victory of Front, economic and commercial relations with Italy would not be ruptured or slowed down.⁴

DUNN

⁴ In telegram 1223, March 19, not printed, Dunn mentioned that McDermott's statement had not been adequate to survive Communist distortion and forwarded a suggestion by Sforza for a new declaration by the United States along the following lines: "If the Communists were to come to power in Italy, in view of the declared opposition of the Communist-controlled countries to American assistance toward European recovery, the United States would reluctantly have to withdraw assistance to Italy in that case and apply its assistance to other non-Communist countries whose governments were cooperating in the efforts to provide economic improvement in Europe." (840.50 Recovery/3-1948)

865.00/3-1748 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET URGENT

Rome, March 17, 1948—5 p.m.

1176. It would appear that the conversations that Morgan Phillips¹ and Denis Healey² had March 12 and 13 in Rome with members of several strains of Italian Socialists were very animated, what the British Socialists had to say to the representatives of Nenni Socialists was blunt and uncompromising.

¹ General Secretary of the British Labour Party.

² Secretary of the International Department of the Labour Party.

Phillips and Healey cleared the boards with Guy Mollet³ in Paris before coming to Rome. They were able to finish their two all-day meetings Friday and Saturday before press learned of their presence. The ostensible purpose of their visit was to invite the Italian Socialists to the forthcoming Socialist international conference at London.

The general line which Phillips and Healey took was that there are only two ways of reconstructing Europe; one is the democratic Socialist way and the other, the Communist. There is no middle ground. US aid is indispensable and to be welcomed for the democratic reconstruction of Europe.

1. At the Friday meeting with the PSLI group the English were exceedingly friendly and undertook to do everything to have the Italians seated at London (according to British contact, borne out by Lombardo, the British gestures might have been much more effective, as might their statements to the Nenni Socialists the next day, if made last January at the time of PSI Congress). In connection with the question of how to address the invitation Healey and Phillips suggested, according to British source, formation of an executive committee of Socialist unity, inasmuch as an invitation to PSLI would exclude Lombardo group. (This is contrary to Lombardo allegation who reported that British came to Rome to invite his new Socialist movement to London meetings, but that since this would have excluded PSLI Lombardo prevailed on the British to extend the invitation to the Socialist unity list which includes both his and Saragat's groups). See in this regard London's 55, March 13.⁴ The British feel that this executive committee can form the nucleus of a new Socialist party with which the British will cooperate after the elections. (It seems that the British prematurely assumed that the invitation was accepted and the Italians had to return the following day, in embarrassment, to say that their going to London was subject to concurrence by Saragat who was still unhappy about British Socialist coolness particularly at Brussels last fall, toward PSLI). However, morning press March 17 reports Lombardo as secretary of Union of Socialists movement, Simonini⁵ as secretary of PSLI and Treves⁶ PLSI will make the trip to London. In any case it seems that the British assured the Italians in behalf of both the British Socialist Party and French Socialist Party of their support of a new-born independent Italian Socialist Party.

³ Secretary General of the French Socialist Party.

⁴ Not printed.

⁵ Alberto Simonini, deputy in the Constituent Assembly; member of the PSLI.

⁶ Paolo Treves, deputy in the Constituent Assembly; member of the PSLI; had served with Saragat on the mission to Paris 1945-46.

2. With Vecchietti,⁷ Basso⁸ and Morandi⁹ (PSI), the British were, we are told, brutally frank. They rejected the Italian argument that the Socialists were allied with the Communists not against US aid, as such, but against De Gasperi. They scoffed at the Italian assertion that Italian Socialists alone among the Socialist parties of Europe would not be crushed and extinguished in the Communist embrace. They said that the Nenni pretence of "neutrality" is untenable; it has been amply proved by Moscow itself.

They purportedly said that the fraternal relations between the Italian (Nenni) Socialist Party and the British Socialist Party, which the Italians said they "rely" upon, could not continue so long as the Italian Socialists on every issue relating to the welfare of Italy and Europe continued to take a position contrary to that of the British and French Socialist parties. "How", reportedly asked the British, "can you justify telegram of congratulations to Prague when we and French sent condolences?"

The Italians kept saying that their present alliance in the democratic front is a tactic to rebuild Italian socialist strength which had been suffering from lack of touch with the masses. In reply to the British question what would the PSI do with respect to an endeavor to form a non-Communist government after April 18, the Italians are reported to have stated categorically that they were "completely free to enter the government without the Communist Party". The Italians were unable to satisfy the British on the question how PSI could justify working in combination with the Communists against aid to the Italian people, and pretend to participation in a government which would presumably be committed to rebuilding Italy with American aid and within framework of European cooperation.

However violent these exchanges may have been the Italians accepted in behalf of PSI the invitation to attend the Marshall Plan meetings in London on the twentieth, and the party issued a cordial press release in this regard Saturday night. However, it seems that the PSI representatives who will probably go to London are lower level people without much say in the party's councils. (A member of the British Embassy explained to us that the only reason Nenni himself, so far as the British were concerned, had not participated in the conversations was his absence from Rome.)¹⁰

DUNN

⁷ Tullio Vecchietti, head of the international office of the PSI.

⁸ Lelio Basso, member of the directorate and Secretary of the PSI.

⁹ Rodolfo Morandi, member of the directorate of the PSI; he had served as Minister of Industry and Commerce in the second and third cabinets of De Gasperi.

¹⁰ A condensed version of this telegram was forwarded to Kennan in Tokyo, March 19, not printed (865.00/3-1948).

711.00/3-2048 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

ROME, March 20, 1948.

1241. Secretary Marshall's California speech ¹ prominently reported in Rome independent and right press March 20 with emphasis on suspension of US aid to Italy in event of Popular Front victory April 18. Independent conservative *Messaggero* reported under Washington dateline that manner in which some news agencies handled Mr. McDermott's statement re suspension aid to Italy if Communists won election had furnished Communist orators and press pretext to assert voters could vote Popular Front in assurance Italy would continue receive aid. In California address Secretary Marshall spoke clearly on issue, continues article, to dispel grave perplexity in Italian electorate that might have been caused by these Communist assertions.

Footnote to independent conservative *Tempo* story said Communist *Unità* March 17, mutilating Washington official statement, dared to assert De Gasperi had lied, since there was proof US would continue sending Italy aid even if Communists came to power.² "Good propaganda for April 18", continues *Tempo*, "but it was no trouble for US to show it was based on falsehood. Doubts in matter . . . are today definitely eliminated by . . . Marshall's speech . . . His language is crystal clear and renders comment unnecessary; we shall see now whether Italian Communist leaders will be able to distort it. Meanwhile, it is well to recapitulate what would happen April 18 if electorate should not reveal itself to be aware of its duty; (1) refusal of visas for entering America to all Italian Communists; (2) suspension of American aid with resulting economic catastrophe in Italy".

Communist *Unità* editorialized, "Marshall's language clearly shows how US intends to use aid as electoral weapon of blackmail against Italian people. Secretary of State pretends not to know Communist Party has repeatedly declared it is not opposed to American aid, but to . . . political and economic provisos harmful to our independence . . . Marshall's statement confirms aid is intended and reserved not for Italian people but for Christian democracy, which . . . distributes it on party basis without any democratic control."

Short fusion Socialist *Avanti* item reiterates stand Popular Front opposed only "to those clauses of plan which mean adherence to policy of division in Europe and of encirclement of USSR". Same paper carried lead editorial by Mario Bracci minimizing possible effects of victory by Front which conservatives so fear and declaring, "we will

¹ For text see Department of State *Bulletin*, March 28, 1948, p. 424.

² See footnote 3, p. 853.

continue to be friends of America because we have many interests in common with her and because politics is art of protecting interests of people. We will perhaps change forms and methods in way that will probably be more useful to America, Europe and ourselves. We will create closer bonds with eastern Europe and Russia, obeying both our natural function of bridge between East and West and needs of our economy; this will be most useful to cause of peace."

Editorial by left *Paese* editor Tomaso Smith entitled "scandal" takes line Secretary's statement reflects aspirations of Wall Street and not American workers and violates principle of Italy's freedom to determine own destiny for which American troops declaredly fought; "How is it possible accept hypothesis that others force us to ban Social-Communists, as if they did not have right to citizenship in our country". Editorial concludes with query to De Gasperi on what course of action he will follow if elections give Social-Communists majority necessary to form government.

DUNN

865.00/3-2248 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL

ROME, March 22, 1948—8 p. m.

1256. International events completely dominated Italian electoral stage during past week with final act having strong appeal to Italian national feeling but their full influence upon public is as yet difficult to appraise. However, President Truman's speech,¹ American official statements upon aid to Italy if Communist front should win election,² developing western European unity, and culminating *démarche* concerning Trieste undoubtedly have had a most salutary effect in clarifying issues for the confused Italian voter. Morale among Government parties has been raised, while the PDF (Popular Democratic Front) at the moment appears on the defensive in campaign.

There is undefinable but certain optimism in non-Communist political circles which was not evident at beginning of March. (See my 1030, March 10).³ In addition to recent positive utterances and acts from

¹ For the text of President Truman's "Special Message to the Congress on the Threat to the Freedom of Europe," delivered March 17 to a joint session of the Congress, see *Public Papers of the United States: Harry S. Truman, 1948*, pp. 182-186, and for his Saint Patrick's Day Address in New York City delivered at 10:30 p. m. that same evening, pp. 186-190.

See also the Statement by the President, "Transfer of Passenger and Cargo Vessels to Italy," released to the press by the White House March 16, text in the Department of State *Bulletin*, April 4, 1948, p. 454.

² See footnote 3, p. 853.

³ *Ante*, p. 845.

abroad the increased activity of non-Communist parties and civic organizations in campaign has in itself generated a growing confidence among these party workers and their moderate Democratic following. Appearance of excellent anti-Communist but otherwise non-Partisan wall posters (for example: one bearing head of Stalin followed by letter of disassociation from Giuseppe Garibaldi to Giuseppe Stalin posted throughout Italy on Feast Day of San Giuseppe March 19); the beginning of "V" campaign by non-Communists; reports of growing strength in north of social unity (Saragat-Lombardo and company) and considerable success reported for government and rightist party political rallies throughout country are encouraging tangible evidence of belated but vigorous reaction to front's campaigns.

While it is difficult to assess true basis for this new though moderate, optimism which may not be justified we must renew it as factor in development of campaign which, if nothing else, will have salutary effect on timid, uncertain elements in electorate. Importance to electoral result will, of course, depend on ability of government and other moderate elements to maintain and increase tempo of their activity up to April 18. The election truce continues but speeches are becoming sharp, including such matters as De Gasperi's charge (see mytel 1225, March 19)⁴ of Communist plot. Communists are now referring to their political opposition as "De Gasperi-Truman" and *L'Unità* urged its readers to "reply to Truman by joining the bloc". Warmonger charges are hurled at government where the PDF holds itself to be only hope of keeping Italy at peace. On other hand, Nenni Socialist *Avanti* on March 20 minimized effects of a PDF victory upon Italy's "common interests with US" and sought to climb back upon well-known Socialist East-West bridge which others might unkindly call the fence.

Two glaring examples should be mentioned of Communist attempts to keep public uncertain about US attitudes. One was in quoting only first part of McDermott press statement upon post-election aid to Italy (remytel 1187, March 17).⁵ Happily the Secretary's subsequent remarks have obliged Communists to drop pretense (remytel 1241, March 20)⁶ and openly to denounce US position. Second instance involved CGIL Secretary General Di Vittorio who on returning from his London meeting with Carey of CIO gave conflicting views on substance of their talks to effect American labor would see Italy received every aid.

Question of Trieste had been quiescent until public received complete surprise welcome weekend news that western powers had specifically requested Trieste be returned to Italy. Communists tried

⁴ Not printed. This press telegram has no reference to a Communist plot.

⁵ Not printed, but see telegram 1165, March 16, p. 853.

⁶ *Ante*, p. 857.

to lessen its excellent effect upon public opinion by Togliatti declaring Trieste could only return to Italy when there was democratic independent regime in country. *L'Unità* also demanded Bidault help in getting revision of treaty boundaries between Italy and France.

On matter of colonies *main* event of interest was presentation by Italian Government of memo to London conference asking trusteeship for Libya (see mytel 1178, March 17).⁷

Signs were unmistakable to Italians of country's participation in international events upon basis of complete equality with other states. The proceedings of 16-Nations Conference Paris were extensively publicized, with Italy's role being expounded at first session by Foreign Minister Sforza. The signature March 20 of Franco-Italian protocol for eventual Customs Union was featured in this matter but naturally was subordinated in popular mind to announcement by Bidault concerning proposed return of Trieste to Italy. In addition to actions already discussed important events were turnover of 29 ships to Italian Government with warning to prospective immigrants to US that they were excludable if Communist Party members. Soviet acts were at minimum with one report quickly dying that Soviet held Italian ships would be returned, while another involved possible dispatch to Italy of 25,000 tons of scrap iron from Russian zone in Germany to assist country economically (see mytel 1255, March 22).⁷ Soviet attempt to link reparations to commercial treaty negotiations with Italy had a mixed public reaction. It must be emphasized that retention by US and other western powers of this balance of initiative may be a decisive factor in outside elections.⁸

Sent Department 1256, repeated Paris 179, London 131.

DUNN

⁷ Not printed.

⁸ In telegram 1273 of March 22, not printed, Dunn reported a favorable reaction in the independent and right wing press to Secretary Marshall's address at the University of California at Los Angeles, March 20, 1948 (711.00/3-2248). For text of this speech see Department of State Press Release No. 221, March 19 (future release).

840.50 Recovery/3-2248: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL

ROME, March 22, 1948—9 p. m.

1269. This message is intended to bring up-to-date our thinking with respect to Italy's economic problems, on the eve of ERP.

Signature of the interim aid agreement marked the end of the policy of straight relief.¹ Under that system it had been demonstrated that

¹ For information on the interim aid program, see *Foreign Relations*, 1947, vol. III, p. 484 and *ante*, p. 755.

Italian resources fall far short of the needs for reconstruction and recovery (multiplied and complicated by the unprecedented burden of social charges). Congressional approval of interim aid "to prevent economic retrogression" was tantamount to approval of the principle that continued US aid was essential to recovery if the limited progress already made under the relief policy were not to be lost.

Fact that Italian industrial production has failed even to maintain its slow pace of recovery under relief makes it advisable to reexamine at this point some basic factors conditioning Italy's economic reconstruction and recovery. In this way we can be prepared to assure the maximum efficiency in the application of US aid to Italy under ERP when it comes.

Production is the key to recovery and ERP is designed to stimulate it to the level where CEEC countries become self supporting.

In the case of Italy the degree of expansion to make this economy solvent is relatively greater than is the case with most of the other CEEC countries. Italy's invisible assets even before the war were almost never sufficient to balance the trade deficit, the country for years drew on its reserves, to the point where they now scarcely exist. Italy had lost in percentage more of its earning capacity, domestic and foreign, visible and invisible, than the majority of the countries of Western Europe (Germany excepted). For instance:

1. Italy's shipping fell to about 10 percent of pre-war; it has recovered to 55 to 60 percent of pre-war. In this recovery US credits for purchases of liberties contributed 45 percent of the added tonnage, but before these can add to Italy's earning power this cost must be amortized in dollars. Amortization is also a charge on new and rebuilt ships leaving Italian yards.

2. Italy's emigrants have grown distant from relatives over the years, and the mass emigration prospects for the 400,000 additional population per year are dim. This means an added feeding and social burden without compensating remittances, for even before the war savings to expand industry and agriculture sufficed to provide employment for only a quarter to a third of the new supply of labor.

3. Although Italy's foreign investments were never large, those in the Balkans are committed to reparations; their earnings will no longer be available to buy the Danubian products which used to help bridge the food margin.

4. War damage to industrial plant, transportation, communications, ports, warehousing, power and housing, and the accumulated effect of deficient maintenance are very large. To these losses must be added the plant taken by the Germans, the gearing of Italian industry to German war economies et cetera.

5. An important portion of Italy's scarce mineral resources have passed to Yugoslavia, while Italians in ceded areas have returned to live in a yet poorer Italy.

6. Tourism will not entirely recover so long as there is political turbulence and until more adequate facilities (of secondary priority compared with industrial, agricultural and housing construction) can be provided.

7. The accumulated effects of fertilizer shortages, and forced abandonment of crop rotation practices, in order to meet primary food needs during a world shortage, will be overcome only after years of intensive effort and large applications of capital. Before the war imports filled a net caloric deficit in a normal adult diet of 6 percent; last year's recourse was had to import for 25 percent of the calories in a sub-normal diet.

8. The virtual disappearance of the German market, especially for fruits and vegetables which traditionally paid for Italy's coal needs, represents an important exchange loss, and threatens the life of an important future source of exchange.

9. Italy's 1 percent annual population increase exceeds increasing standards of living, in the absence of expansion of the productive capacity of industry, agriculture and power on a scale for beyond Italy's capital availabilities.

10. Italian industry is essentially a processing industry, importing raw materials and fuel and exporting manufactures. The inflation of world raw material, food and fuel prices being greater than that of the prices of manufactured products, Italian industry, especially since the anti-inflation and credit control policies were inaugurated, is in a serious squeeze.

Two foregoing factors suggest that Italian recovery will require expansion of pre-war earning power.

(1) To defray the capital cost of reconstruction, modernization and extra-maintenance;

(2) To provide for a greater population in a smaller territory disposing of fewer natural resources.

(3) To bridge the gap left by disappearance of invisible earning assets, and at same time to permit reconstruction of an adequate reserve.

In addition to these longer-term considerations, there is now the fact that Italian industrial production has reportedly tapered off to 71 percent of 1938-40 from the postwar peak last September of 82 percent. A number of factors besides the seasonal one are responsible: the political campaign, of course, and the fears concerning the April 18 results; the continued pressure from labor (aggravated and intensified for political purposes by the Communists) for increased social benefits, for

labor participation in management, et cetera; the reduction in the volume of available working capital below required levels owing to the government's tenacious application of controls on private banking credit (which has however arrested the course of inflation); and many expensive and inefficiently applied social measures (blocks on layoffs, multiplicity of social institutions with high overhead, inexperience of the new post-Fascist personnel, feather bedding, et cetera).

All of these factors require progressive correction by Italy. The weight of them must really be serious, considering that the devaluation of the lire last November produced no spurt in exports.

Italy's recovery must be accomplished by a small scale industry in competition for dollars with a gigantic scale American industry which has increased both its capacity and its efficiency since the war and which has almost all of its fuel and raw materials at its doors, not across the Atlantic; and of course in competition with British and French industries which also have some advantages in size and accessibility of fuel and raw materials. Admittedly this is an Italian problem, but, the US should facilitate its solution, if only in the interest of the American taxpayer. We must accept the conclusion that Italian production and exports must outstrip by far the 1938 levels if the Italian economy is to be made solvent; we must accept the conclusion that it is to the interest of the taxpayer to receive payment, in kind of course, rather than to subsidize his surplus industrial and agricultural production and services, and rather than to put Europe on the dole. This is indeed the hypothesis upon which the Italian balance of payments estimates in connection with ERP should be based.

We must also expect that the trend toward socialization in Europe will be accelerated. Social direction of the basic activities, i.e. power, heavy industry, credit, transportation and communications, may indeed become a necessity on the Italian side for the efficient and productive use of our aid and of the distribution of its benefits over the whole population. ERP stands less chance to succeed if labor believes ERP to be in the interest of conservative industrialists alone. Effect on private enterprise will depend largely upon mechanism by which aid is made available.

Realizing that the question of socialization is controversial and requires careful attention, we are hoping to go into it more deeply with the intention of trying to discover some of the answers which may be helpful for the purposes of our policy. We merely mention it here in passing as a factor we can not discuss merely on grounds of distaste.

Moreover, there should be maximum flexibility in the implementation of ERP. Ready adaptability to varying conditions in the several

countries should not be obstructed by non-essential conditions nor frustrated by inadequate central and periphery organization. On the other hand, in the adaptation and actual execution of ERP, the role of US aid in the foreign economies should be frankly recognized for what it is, and that role can be best played indirectly through CEEC.

Some examples of procedures which should be open to Italy which are within our competence to provide during ERP period are submitted below to illustrate the need for flexibility and good recognition:

1. A number of raw materials, and particularly coal, which are financed by US are coming to Italy from unnatural sources, are traveling unusual distances, and are paying unnatural freight charges. Coal, as the best example, in the last years before the war came $\frac{2}{3}$ from Germany and $\frac{1}{3}$ from England. Its landed cost was around \$6, of which about 20 percent was freight; and this coal was carefully selected for quality according to purpose. Today $\frac{3}{4}$ or more of the coal comes from the US at an average price of \$8 but at a landed cost, after traversing the Atlantic, of close to \$20. The effect on the Italian steel industry is greatly to increase cost of production as compared with that of other industrial countries. The high cost of steel is further reflected in many Italian processing industries, especially the mechanical industries. (The steel and mechanical industries are known as the reddest in Italy). It would seem obvious to us that so long as Italian industry must pay the landed cost equivalent in lire to fuel coming from an entirely unnatural source (and moreover for fuel which before the war was paid for largely by exports of fruits and vegetables which are not acceptable to us as payment), Italian exports will not be able to compete in hard currency markets.

To assist in removing unnecessary handicaps on Italian production so long as it is dependent on our dollar financing of acquisitions from abnormal sources, industry should pay economic lire prices for its fuel and raw materials, that is, prices not bloated by the cost of the long Atlantic haul. The formula in its simplest terms would be this: the price to be paid by the Italian consumer for a commodity included in ERP shall be the lire equivalent of the f.o.b. price in the western hemisphere plus the freight between the normal source of supply (that is the Ruhr in the case of coal) and Italy. Under such a formula Italian industry might get started and in due course, accompanied by measures within the competence of the Italian Government and of industry itself (as fast as political circumstances permit) and measures of CEEC cooperation, might be able to compete in dollar markets, including the indispensable US market. Such a formula should have the further virtue of inducing reduction of the price of Polish, Ruhr and British coal, now covered by the American umbrella.

2. In a capital-poor country faced with the necessity to spend large amounts on reconstruction and development programs, as is the Italian

case, the importation of goods alone may well be insufficient for attainment of the production objectives of ERP, and the overall problem of executing certain development programs (we think of electric power expansion and of the reconversion and modernization job in heavy industry) may be solved only through appropriate disposal of lire proceeds so as to make working capital available to supplement private capital which is in deficient supply. There are many ways in which this can be done and many aspects which need careful study; the essential point at this time is that no policy be laid down as to the use of these funds. In this respect there will presumably be close coordination with financing programs requiring dollar credits (Eximbank, World Bank, et cetera).

3. The recent production decline in Italy illustrates the inter-play of political factors, financial policies and purely productive considerations, leading to unforeseen or at least unplanned situations for which there may be no simple remedy. Those who best understand the complexities of the Italian economy (that is the Italian themselves) and also those who are immediately available on the field to study the situation at first hand, should have ample scope to deal with these problems without injuring Italian pride or frustrating Italian initiative. The field administrator under ERP, in connection with country import programs, for example, might recommend maximum and minimum requirement figures within which he could negotiate directly at the local level. The maneuverable portion of a program could be considered either as margin for error or a margin for adjustment, and in either case would serve as a lever for the local administrator and as an incentive for the local government. These margins could do much to provide incentive to the Italians to take the many measures which can only properly be taken here.

4. In regard to our local ERP organization, it is to be hoped that maximum advantage can be taken of the experience and talent of the personnel which the Department has sent out for earlier program.

These are some suggestions among many which the Department has undoubtedly very much in mind. Our main concern is to contribute what thoughts occur to us in field to purpose that nothing be overlooked in our anxiety to see ERP auspiciously launched and efficiently pursued.²

Sent Department 1269, repeated London 134, and Paris 181.

DUNN

² In telegram 2028 of May 2, not printed, Dunn reported on a review presented to top members of the Italian Government by Campilli, delegate for international economic cooperation, of the outlook for Italy under ERP. It stressed that ERP alone would not resolve the problems of Italy which primarily depended on the solution of European and world problems; that Italy was short of capital; needed the development of world markets to increase her production, especially the German market for fruits and vegetables; and needed outlets for emigration. (840.50 Recovery/5-248)

865.00/3-1848 : Telegram

The Secretary of State to the Embassy in Italy

CONFIDENTIAL

WASHINGTON, March 24, 1948—3 p. m.

812. In reply to journalist who pointed out that certain elements of Ital press were saying a person who voted Communist could still immigrate US,¹ official Justice Dept called attention to Congressional law passed October 1924² which specifically denies entry into US of anyone advocating overthrow of US Govt by force (urtel 1207, Mar 18).³ This has habitually been invoked in cases members Communist party, and there shd be no doubt left minds Itals that policy this regard unchanged.

MARSHALL

¹ In telegram 1113 of March 13, not printed, Dunn reported a shift of concentration of effort by the Communists to central, southern and insular Italy, regions of poverty where the dream was to migrate to the New World. He urged a statement that no visas would be issued to persons espousing the Communist cause. (865.00B/3-1348)

² Departmental telegram 886, March 30, not printed, corrected the reference "to Act of Congress approved October 16, 1918, as amended by the acts approved June 5, 1920, and June 28, 1940" (865.00/3-1848).

³ In this telegram, not printed, Dunn asked to receive promptly the exact text of the statement reportedly issued by the Department of Justice on the exclusion from the U.S. of Italian Communists (865.00/3-1848).

811.42700 (F)/3-1348 : Telegram

The Secretary of State to the Embassy in Italy

CONFIDENTIAL

WASHINGTON, March 24, 1948—4 p. m.

814. Embtel No. 1100, March 13.¹ Gala showing "Thanks America" DC March 20 included statements by notables. Sec. Marshall unable to attend, has recorded statement for newsreel presentation. Ital Emb reception after showing covered by newsreels for use by INCOM.

Gov. will support wide distribution "Thanks America".

Dept. materially assisting Pallavicini newsreels activities in this country. Suggest Emb. make efforts ascertain if INCOM is augmenting normal American coverage.

MARSHALL

¹ In this telegram, not printed, Ambassador Dunn mentioned a letter from Drew Pearson suggesting more Hollywood and governmental assistance for the film, "Thanks America," and outlining plans for photographing the gala showing in Washington as a means of demonstrating to Italians the American friendship for Italy (811.42700 (F)/3-1348).

840.50 Recovery/3-2448 : Telegram

The Secretary of State to the Embassy in Italy

SECRET URGENT

WASHINGTON, March 24, 1948—6 p. m.

819. Murray and Carey indicate willingness send 2 or 3 sound Ital speaking CIO trade union leaders to discuss ERP with Ital trade unionists¹ but believe visit prior to elections might be resented Ital labor and play into Communist hands. They think visit after election preferable.

Dept feels that split away of CGIL minority and formation non-Communist trade union center will inevitably occur as in France since Communists will almost certainly call strikes designed cripple Ital economy and ERP if they lose election. We indicated to Murray and Carey they can help materially if disposed to encourage CGIL minority breakaway and give moral support and financial aid.²

Carey and to some extent Murray still seem reluctant take active steps in this direction but AFL will cooperate fully in any such effort.

Will you evaluate possibility and timing of CGIL split; advise us whether CIO-AFL visit would be useful and best time for such visit. Invitation to AFL and CIO should we think come from CGIL minority on basis of relations already established at London ERP conference.

MARSHALL

¹ In the convention of the CIO at Boston in 1947 Secretary Marshall spoke, emphasizing the need for aiding the countries of Europe and following the address the CIO unanimously adopted a foreign policy resolution embodying the principles stated by Marshall.

² In Dunn's press telegram 1378, March 27, not printed, it was reported that *Popolo* (Christian Democratic) and *Umanità* (Saragat Socialist) reported Carey's declaration that the Communist version of the conversations with him in London were grossly false. *Unità* (Communist) and *Avanti* (Nenni Socialist) did not mention the report. (840.50 Recovery/3-2748)

365.1115/3-3148 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, March 31, 1948—11 a. m.

1416. Deptel 842, March 26.¹ Embassy not advising any Americans to leave Italy at this time nor is it taking any steps now to repatriate Americans even though, by so doing, number of possible eventual evacuees would be decreased as knowledge of any such action on its

¹ In this telegram, not printed, the Department advised that Navy facilities might be used in case of hasty evacuation; that possible ports of embarkation would depend on local conditions at deadline (365.1115/3-2548).

part would be bound to become widely well-known and would be immediately interpreted as indicating lack of confidence in election results and in present government's ability to maintain order. Evacuation plan (Deptel 850, March 26)² being sent Department in confidential air pouch leaving Rome April 4.³

DUNN

² Not printed.

³ Despatch 547, March 31, 1948, not printed.

865.00/4-748 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL

ROME, April 7, 1948—1 p. m.

1563. There is unanimity in accumulating reports from varied sources including our consular posts throughout Italy that government oriented parties are gaining ground and an adverse trend is setting in against the Front. Optimism verging on over-confidence has been encountered in government circles as Front vote recedes in most recent estimates. This ebb tide of Popular Democratic Front (PDF) generally is attributed to increased popular realization of importance of US aid program, Czechoslovakia and Trieste issues, positive acts of US toward repelling Communist danger in Europe, Secretary Marshall's clarification re no aid to a Communist Italy and action of British Labor Party in favoring Italian Socialist Unity group over Nenni Socialists (PSI). On sobering side there was electoral flurry that might have become serious over congressional attempts to include Spain in ERP while more significant is growing violence as electoral campaign drives toward its climax.

Tactically observers feel Front efforts are bogging down because they were put into high gear too soon. At present government parties are matching them stride for stride and proving superior in pattern of their meetings and in color and content of poster and leaflet flood. At PDF meetings attendance is falling off and reception less enthusiastic in locales where only weeks ago its adherents had given unmistakable signs of fervor. There also is marked and increased activity of Christian Democrat, Independent Socialist and other non-Communist parties and Catholic action proselyting among voters even in normally Communist strongholds. Gloves are now off in government discussion of Communist menace to Italy while it is sensed Front charges of Vatican financial scandals and church interference in election are wearing thin upon electorate. Communist propaganda portraying PDF as standing for peace and US as warmonger does have

some public effect. However, Socialist Unity coalition is drawing strength in industrial areas by presenting itself as "third force" alternative to preserve peace.

Great influence which US policy toward Russia has in calculations of Italian voter can be seen in typical press reaction to events in Berlin and Defense Secretary Forrestal's draft proposals to Congress. (See mytel 1511, April 3)¹ Assistant Secretary Thorp's statement upon post-election aid to Italy (remytel 1461, April 2)² served to keep this issue fresh in public mind. Surge of letters and packages mainly to southern Italy from America definitely is harming Front vote prospects to extent that loud protests have been made (see mytel 1449, April 1).³ However, Italian sensitivity to US moves was strikingly demonstrated in Communist field day and chill among moderate parties occurring when Spain provisionally was named by House of Representatives vote as eligible for ERP. (See mytel 1451, April 1).³ Italian Government and moderate left heaved sigh of relief when final congressional action changed this. Expeditionary American approval of ERP bill also contributed to Italian Government and public feeling of well-being that US was implementing its principles by acts.

Very helpful toward democratic cause has been reaction in workers' circles to realization Nenni Socialists are outside main stream western European socialism as reported in my last weekly analysis (mytel 1414, March 31).³ In north, as Socialist Unity elements operate with blessing of British Labour Party, this is having beneficial effect most noticeable in Milan area where indications are Front will not obtain majority. Possibilities of eventual PSI schism and growing recognition of inevitable General Labor Federation (CGIL) split after election (remytels 1481 and 1483,⁴ April 2) add to Front difficulties.

Treaty revision talk received its stimulus from western powers Trieste *démarche*. Since that time there have been reports various parts of treaty deemed undesirable by Italians will be amended. Two events, Italo-French agreement upon Montecenisio power plant (see mytel 1457, April 1)³ and western nations request for speedy consideration Italian entry into UNO, have served to feed this theme. It

¹ In this telegram, not printed, after mentioning the press coverage of developments in Berlin and of Forrestal's proposals for resuming the draft, Dunn added the comment: "It is clear that Italian public opinion is deeply interested in what happens in Germany and particularly in evidence . . . of Soviet pretensions." (740.00119 Control (Germany)/4-348)

² In this telegram, not printed, Dunn reported that several Rome papers of March 31 carried Thorp's statement before a congressional committee that aid to Italy would cease if the Communists were to win the election (865.00/4-248).

³ Not printed.

⁴ Neither printed.

is frequently mentioned that Russia and France will be asked to return their portions of Italian fleet (see mytel 1496, April 2)⁵ and optimism is expressed, however warranted, that government electoral victory may see favorable solution to colonial question (see mytel 1456, April 1).⁵

Violence, including shooting and bomb tossing, is becoming disquieting feature. Observers claim this is arising through activities of both right and left extremists. Front partisans watching success recede are straining at fraying leash of electoral truce and neo-Fascists are losing inhibitions. CGIL called general strike in Sicily for part of day in protest to shootings and disappearance several Communist leaders. Communists are also screaming loudly that rightist plot to disrupt popular will on election day has been uncovered. (See mytel 1490, April 2.⁵ This is interpreted as either beginning of defeat alibi or as justification for growing Communist disorders. Government officials replied by calling so-called plot spurious and recalled only caches of Communist arms are being constantly uncovered. On gloomy side some qualified observers are predicting serious trouble even envisaging possible insurrectionary action before election by widespread Communist cellular network if there is not prospect of material increase over previous Communist-PSI strength in Constituent Assembly (approximately 30 percent).

To offer reassurance of government ability to maintain nationwide order Interior Minister Scelba has emphasized on radio large number of armed effectives at government's disposal. Sunday, April 4, was taken as occasion to celebrate reconstitution of Sardinian Grenadiere Division by large parade in Rome of 15,000 troops with full fighting equipment witnessed by Defense Minister, other officials, foreign military attachés and large public.

Minister Facchinetti lauded discipline, morale and material efficiency of renovated armed forces which guard country in which competent observers concurred. Since no current event is neglected for electoral propaganda purposes, this day city wide posters appeared addressed to Italian Army which recalled in ignominious detail Mr. Vishinsky's memorable scathing characterization at Paris conference of Italian troops in late war as being among other things better at running than fighting.

Sent Department 1563; repeated Paris 223; London 165 and Moscow 46.

DUNN

⁵ Not printed.

865.5018/4-748

*Memorandum of Conversation, by the Assistant Secretary for
Economic Affairs (Thorp)*

[WASHINGTON,] April 7, 1948.

Participants: Mr. Thorp
Mr. Tarchiani, Italian Ambassador
Mr. Ronchi, Italian High Commissioner for Food
Mr. Rogers, Italian Technical Delegate
Mr. Dowling, SE
Mr. Linville, IR

Subject: Italian Grain Requirements

The Italian Ambassador said that Mr. Ronchi had just come over from Rome and wanted to outline the critical food situation which Italy faces.

Mr. Ronchi showed a chart indicating that stocks of grain on hand and afloat assure all of the Italian provinces of enough grain to insure existing cereals rations beyond the election. The chart also indicated that additional supplies which are in prospect will only carry Italian consumption until about June 10. Additional supplies are needed for the remainder of that month. When questioned about the amount of grain which it is anticipated will be obtained from Argentina, it was found that only 514,000 tons was included for arrival in the January-June period, of which about 450,000 tons was shipped by the end of March. The Italians hope that they will be able to obtain an additional 100,000 to 150,000 tons, but this has not yet been purchased, and Mr. Ronchi emphasized that at best, Argentine shipments are most uncertain as well as expensive.

Mr. Ronchi was told that United States officials have been assuming that only very small stocks of old-crop grain will be required as of July 1. Mr. Ronchi insisted that 250,000 tons would be needed. Bakers and pasta manufacturing plants will have sizeable stocks on hand. Considerable stocks of rice and corn will also be needed, since the new crop of these grains will not be harvested until later in the year.

Mr. Ronchi said that Italy should not plan to consume any of its 1948 wheat in June. It would, of course, be possible to make some early collections, as was done last year. However, this would make the peasants feel that their grain will be badly needed during the coming year, and would make them reluctant to part with it. An active collection campaign would also be unpopular politically at a time when conditions in Italy are likely to be unsettled.

When asked about the saving of rice which had resulted from the failure of some consumers to purchase their entire rice ration, Mr.

Ronchi stated that the amount involved would not amount to more than 20,000 or 30,000 tons. Even if Italy purchases 100,000 to 150,000 tons of wheat in Italy, Mr. Ronchi stated that an additional 110,000 tons would be needed from the United States. This would mean that the United States May allocation of 40,000 tons should be raised to 150,000 tons.

The Ambassador emphasized that there are likely to be strikes and disturbances in Italy after the elections, and that inadequate supplies of grain might have most serious consequences. He said that he and his colleagues had talked with Under-Secretary of Agriculture, Mr. Dodd, earlier in the day. Mr. Dodd had expressed the opinion that Congress will eliminate the requirement that the United States have a carry-over of 150 million bushels of wheat on July 1, 1948. If this provision is eliminated, U.S. exports can be increased substantially. The Ambassador emphasized the importance of making substantially larger shipments to Italy if this should occur.

Mr. Thorp told the Italians that the United States is very anxious to do what it can for Italy. He hoped additional quantities of grain can be made available for that country. However, we do not know whether we can increase our total shipments above the levels now programmed. If this becomes possible, we shall have to examine the requirements of the various importing countries in order to see which need supplies worst. It is not clear whether Italy will be one of these. It is unfortunate that Italy must depend heavily on Argentine supplies but that can hardly be avoided. Italy has been more successful than most other countries in obtaining supplies from Argentina, and we must depend on countries which can obtain supplies there to buy as much as possible. It would be a mistake for the Italian Government to refrain from maximizing its procurement in Argentina because of the hope that it can obtain more from the United States.

Note—After the meeting Mr. Linville told Mr. Rogers that the United States had been considerably concerned about the psychological effect of announcing the greatly reduced wheat export allocation for Italy in May. It is felt here that this allocation will be quite adequate to permit Italy to maintain its ration, but it was feared that uninformed people might think that the United States was making an unjustified reduction in shipments to Italy, and the opposition in Italy might take advantage of this fact. As a result, the following statement was included in the Department of Agriculture press release announcing the May allocation:

“The Department stated that the May allocation to Italy, in addition to quantities being exported to that country from other sources, appears to be adequate to maintain the cereals rations until indigenous supplies become available. However, it was stressed that if subsequent

developments threatened maintenance of the Italian cereals ration at present levels, such as a sudden, drastic reduction in shipments from other supplying areas, the United States would make every effort to allocate and ship such emergency quantities as might be required."

This statement was made to quiet unwarranted fears, but it appears unlikely that the United States will be able to ship more than 40,000 tons of grain to Italy in May. The possibility of such shipments is so slight that Italy should by no means relax its efforts to obtain grain from Argentina. Mr. Linville said that if the above statement from the press release has been sent to Rome, he hoped Mr. Rogers would also transmit the interpretation which had just been given to him. Mr. Rogers said that he would be glad to do this, and that his country would certainly buy as much grain as possible in Argentina.

840.50 Recovery/4-848 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

URGENT

ROME, April 8, 1948.

1581. We regret that delay in receipt of Depcirtel, March 25,¹ with reference to the findings to be made in respect to CEEC countries as required by subsection (B) of Section 15, has resulted delay in reply.²

In connection with Italy our findings are as follows:

(1). Italian Government is taking all favorable measures to promote industrial and agricultural production with view to rendering economy eventually independent of extraordinary outside assistance. As result

¹ This circular telegram, not printed, was sent to the capitals of the European countries participating in the European Recovery Plan. It explained that both the Senate and the House bill required a bilateral agreement with each participating country, but that for a three-month interval after enactment, the Administrator could perform all functions with the given country provided: (1) that the country adhered to the purposes of the Act and announced intention to conclude a bilateral agreement; (2) that the Administrator found the country to be complying with the relevant provisions of the Act. This included continuous effort of the country to accomplish a joint program through multilateral undertakings for which the CEEC meeting in Paris appeared to establish a basis.

It also included immediate finding by the Administrator (or until his appointment by the President): (1) that the country was promoting industrial and agricultural production so that it would be independent of emergency outside aid; (2) that it was taking financial measures to stabilize its currency and maintain a valid rate of exchange and balance its budget; (3) that it was cooperating with the other countries in increasing the interchange of goods and reducing trade barriers; and (4) that within the Program it was making efficient use of its own resources.

A cabled summary statement as documentation for such a finding when the Act had been passed was requested, and reference to earlier reports as supporting data (840.50 Recovery/3-2548).

² In telegram 219 of January 16, not printed, Dunn had reported that Italy had most enthusiastically embraced the Marshall Plan, and he listed 18 programs and actions undertaken as measures of self-help and cooperation (840.50 Recovery/1-1648).

of government stimulation and measures aimed at expanding industrial production, the level of Italian industrial production in second half of 1947 rose to 78 percent of 1938 from 62 percent in first half of the year. In recent weeks, notwithstanding the difficulties of programming and planning during period of intense electoral activity, Italian industrial production is reported to be expanding slightly. Special lines of credit have been opened by government for mechanical and electrical industries. With respect to agriculture, and especially cereals, government has taken measures to facilitate the distribution of fertilizer and to provide favorable conditions for crop collections. As a result area planted to wheat this year has increased and the grain harvested may be expected to expand from 5 to 20 percent. To assist agriculture in the south and in Sicily, the government has established credits approximating 60 billion lire for irrigation projects, reclamation, control of erosion and acquisition of seeds.

(2). Present government since it took office in June 1947 has adopted and put into execution numerous anti-inflationary measures which are having the effect of stabilizing the currency, holding prices down, stabilizing wages, increasing tax collections, and narrowing percentage-wise the gap between government collection and expenditures. By adroit management of a system of imports known as "Franco-Valuta", hidden private assets abroad have been applied to purchase of consumer goods. The flight from the lira has been arrested, hoarding has decreased, and the supply of goods has increased in relation to the monetary circulation.

(3). Italian Government has been among most active in promoting inter-European cooperation. It has entered trade agreements designed to stimulate exchanges of merchandise and as time goes on has advanced toward clearing agreements from the primitive barter and reciprocity arrangements of earlier last year. It has important trade agreements with France, Great Britain, the Low Countries and Switzerland, as well as with a number of non-participating countries. It has obtained a large credit in Argentina to acquire foodstuffs. It has entered a commitment with French Government to establish a Customs Union which is to be developed into an economic union, providing eventually free flow of capital, goods and persons between the two countries, increased efficiency of production and a greatly expanded domestic market. Representatives of Italian economic associations, such as the Confederation of Industry, Confederation of Wine Growers, et cetera, have talked with like organizations in France with a view to increasing exchanges and remove obstacles to trade. On Italian initiative a manpower conference was held in Rome in January of CEEC countries to examine the requirements of labor deficient countries and

the availabilities of workers in labor surplus countries. Without being a member of UN, Italian representatives have participated in work of sub-committees and study groups of ECE. Without having a vote, the Italian Government sent delegation to Habana ITO Conference.

(4). Italian Government has taken necessary legal action to make available to the Italian economy the private holdings in the US of Italian citizens. Similar arrangements are also being worked out with regard to Italian assets in Great Britain. Italian Government has had to use up its own exchange and gold reserves to an extent much greater than prudence would dictate, and the Italian Government now with the assistance expected, should be encouraged to rebuild its reserves.

DUNN

840.50 Recovery/4-1548 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

RESTRICTED

ROME, April 15, 1948—8 p. m.

1768. For IBD. One-hour Hollywood platter [*sic*] show which broadcast over RAI Red Network Tuesday April 13 (remytel 1700, April 13)¹ at 2100-2200 was popular success.

Italians all walks life generally liked program because of spontaneity of tone, cordiality, and because expressions goodwill and friendship by Hollywood big names for Italians. Radio station said received numerous phone calls completion broadcast stating had greatly enjoyed it. President National Association Families of Fallen and Mutilated Aviators expressed great appreciation adding families pilots extremely moved.

Because of informal character program and popular music listeners found it "very American in spirit" although some pointed out only novel aspect program was representation. Some mild objections voiced "obvious buttering up" of Italian listeners. This attributed fact program "obviously broadcast this time for electioneering purposes," others contrarily stating "great delicacy and restraint shown in avoiding controversial issues". Another criticism was there too much self-praise although some references generous American aid were deleted together with Star Spangled Banner finale.

Flattering to Italians was effort made by Crosby, Pidgeon, Shore, others, to speak Italian. While Italo-Americans expected know some Italian listeners generally both surprised pleased that stars took time rehearse few lines.

¹ The reference is incorrect. Rome's telegram 1700 of April 13, not printed, refers to letters of intent preliminary to a bilateral ERP agreement (840.50 Recovery/4-1348).

Since broadcast announced campaign raise funds being initiated US, USIS would like be kept informed on progress registered.

DUNN

365.1115/3-2548 : Telegram

The Acting Secretary of State to the Embassy in Italy

TOP SECRET

WASHINGTON, April 16, 1948—6 p. m.

1104. Your 1321, Mar. 25.¹ Discussion with Army, Navy, Air reveal following:

1. Navy under standing instructions evacuate should situation deteriorate.

2. Navy recommends, Dept. concurs you deliver copy evacuation plan Admiral Sherman.²

3. Navy advising Sherman establish effective liaison AmEmbassy Rome for purpose coordination.

4. Air advises that should situation remain local and not spread Europe possible air lifts contemplated 500 mile maximum haul. Clay being read in on today's conversation but suggest you not communicate direct with him but coordinate through Dept.

5. Army suggests that consideration be given to contemplating additional evacuation ports north of Naples and both coasts Italy. Advise Dept.³

6. Advise Dept. plane gas situation Rome. Contact Esso Standard Export. This info will be passed to Air.

7. Advise Dept. of internal plans. Embassy personnel and disposition of officers' families and dependents.

LOVETT

¹ In this telegram, not printed, Dunn asked if the Department had taken up the possibility of sending an evacuation ship to an Italian port on short notice (365.1115/3-2548).

² Vice Adm. Forrest Percival Sherman.

³ In telegram 1846 of April 20, not printed, Dunn reported that a copy of the plan was being sent to Admiral Sherman; that the Embassy had considered other ports but had concentrated its attention on Naples because of its size and facilities, its transportation connections, and the presence of the U.S. consulate (365.1115/4-2048).

865.00/4-2048 : Telegram

The Acting Secretary of State to the Embassy in Italy

SECRET URGENT

WASHINGTON, April 20, 1948.

1131. You may say to De Gasperi we are reassured by Ital Govt's public declarations that firm, unhesitating action will be taken in event attempts challenge govt's authority prior convocation Parliament. We are confident of Ital Govt's ability maintain law and order, but would of course support them in any way practicable and appropriate shd they find it necessary to call upon us for further assistance.

You will understand, of course, that no specific commitment could be undertaken at this stage, and shd make this plain to De Gasperi. It shd also be made clear that our support would not contemplate assistance of US armed forces.

LOVETT

865.00/4-2048 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

URGENT

ROME, April 20, 1948.

1849. Presstel. ReEmbtel 1815 April 17.¹ With incomplete returns indicating sweeping CD (Christian Democrat) victory, all but Communist line papers rejoicing April 20. Most interpret results primarily as striking defeat for communism. Minor party papers still claiming successes though returns indicate CD may have attracted much of their following. Liberal *Risorgimento Liberale* full page headlines "Certain Defeat of Front." Far rightist *Ora d' Italia* headline "No To Stalin!"

All papers claim elections prove political maturity Italian people. Republican *Voce Repubblicana* says Italian people have discredited detractors who accuse them of having little democratic sense. Adds that if minority ever shows desire impose its will by violence, yesterday's trial of democracy guarantees it will be suppressed at birth by firmness of government with sure support of great majority of citizens. Christian Democrat *Popolo* declares elections have definitely opened way to national redemption making possible wider prosperity and greater social justice within framework of new European solidarity. Declares Christian Democrats know how to use victory for perfect political liberty and social justice and they swear to do so. Catholic action *Quotidiano* declares victory resulted from fact that many minor-party Italians oppose communism above all else, and supported party they considered to combine most effectively opposition to communism and adherence to democracy and christianity of Italian civilization. Says they could have voted for neo-Fascist groups, if anti-communism had been only consideration. Conservative independent *Messaggero* lead editorial agrees fundamental factor was opposition to communism. Says PCI abandoned by Russia and since it failed to protest anti-Italian stands taken by Russia on ERP, Trieste and UN, it could count only upon votes of its inscribed members. Says Italy's votes went more to De Gasperi than to CD Party, and he cannot fail therefore to rise above his party and curb its absolutist tendencies. Says he must represent national vision. Concludes that victory against Com-

¹ Not printed.

munist must not mean and will not mean persecution of anyone and least of all a defeat for laboring classes.

Strongly conservative independent *Tempo* declares Italian laborers who have defeated Front now ask of government that they no longer be molested in their daily work and that method be found to guarantee recovery without waste of precious common riches in sterile agitations.

Fusion Socialist *Avanti* and Communist *Unità* still claim Front success. Former declares "Front in dominant position in country while right braces itself on CD for Senate".

Unità editorial expresses satisfaction Front has emerged as "great political formation" pointing out that national bloc, PSLI, PRI and Monarchists have won only minor positions. *Avanti* remarks elections proving small reactionary groups think CD is best weapon to combat "advance of masses". Attacks government for "shameless campaign of false news" and premature rejoicing over CD victory. Intimates government may intend instigate uprising "with possible foreign backing", attempting place blame on Front. Other items emphasize governments alleged provocatory campaign. *Unità* also charges government plotted provocations but says they failed. Both carry five-column headlines accusing CD of electoral cheating. *Avanti* complains rightist papers allowed publish extra editions April 19, while permission refused fellow traveling *Repubblica*. CD *Popolo* replies that *Unità* in unauthorized April 19 edition falsely accused CD of cheating. *Popolo* also accuses Front of preparing illegal ballots. Neither side this discussion yet presented proof of large scale dishonesty, and all papers say voting concluded in complete tranquillity.

Independent conservative *Messaggero* prominently quotes Front leaders as having denied plans for insurrection and promised respect elections' results. In general, papers accord little space to rumors of possible insurrections.²

DUNN

² In telegram 1864 of April 21, not printed, Dunn reported :

"With returns in both Senate and Chamber of Deputies voting virtually complete, it appears that CD's have astonished many and left popular front aghast by obtaining about 48 percent of the total votes cast. Popular Front percentage of about 31 in Senatorial vote and 32 in Chamber vote loses its punch under CD strength" (865.00/4-2148)

865.61311/5-2148 : Telegram

The Acting Secretary of State to the Embassy in Italy

TOP SECRET URGENT

WASHINGTON, May 27, 1948—noon.

1485. Dept fully appreciates desirability June allocation 50,000 tons to aid Ital Govt in program abolish political prices and subsidies

(reurtels 2320, May 21¹ and 2321, May 21).² US Govt unable on export supply grounds to meet Ital request (Dept's 1374 May 14).³ Already appears some of US May program will slip over into June and June schedule does not permit of proposed addition. However ECA officials have suggested possibility Italy may try secure, against later repayment from allocations made to Italy, diversions of wheat going to Britain from Australia in order insure desired stock position beginning July. Emb might wish suggest Itals bring this up in OEEC.⁴ Such arrangement if it could be effected, would constitute notable instance cooperation among ERP countries.

LOVETT

¹ In this telegram, not printed, Dunn reviewed the cereal position of Italy, stating that "If no additional wheat imports forthcoming Italians will meet deficit either by delaying issue pasta ration or by rapid amassing 1948 wheat crop thus compromising success 'grain price policy'." An essential part of this policy was the abolition of political prices, the consumer subsidies on all cereal products except rice. Dunn added that "Embassy believes abolition political prices indispensable for sound fiscal policy and economic recovery." (800.48 FAA/5-2148)

² In this telegram, not printed, Dunn continued with the argument, and urged the allocation of an additional 50,000 tons of wheat to Italy for June so that the Italian Government might carry through with the policy of abolishing political prices of grain (865.61311/5-2148).

³ In this telegram, not printed, the Department commented rather critically on the data supplied by the Italian Government to the Embassy in Rome and indicated there was no elasticity in the export program of the U.S. for May and June permitting additional shipments to Italy in view of allocations already made (840.50 Recovery/5-748).

⁴ In this telegram, not printed, Dunn reported that the Italian Government would immediately make the proposal to the OEEC for diversion of Australian grain from Britain to meet the June needs in Italy, and he suggested that the Department support this proposal in Paris (865.61311/5-2848).

This action was taken in the Department's telegram 1882 to Paris, May 29, 1948, not printed (865.61311/5-2948).

865.00/6-1648

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, June 16, 1948.

DEAR MR. SECRETARY: With reference to Undersecretary Lovett's top secret message of March 3 (telegram no. 566),¹ you, Mr. Lovett, and some of your advisers on European affairs will probably be interested in a summary of what this Embassy did of a concrete nature to support the democratic, non-Communist elements and political groups in Italy during the pre-election period. In the light of the major victory against the Communists won by the Italian people, it is of interest to evaluate the part our efforts may have played in this reaffirmation of the democratic processes in Italy. During the last six weeks of the pre-election period a small committee composed of the heads of the Politi-

¹ Not printed.

cal and Economic Sections, of my Economic Adviser on the Treaty and of the Military, Naval, Air and Treasury Attachés, functioned in the Embassy as a "political action committee" to consider scores of suggestions from friendly outside sources and initiate and produce suggestions for ways and means to encourage, support and make more effective the electoral campaign being waged by the non-Communist democratic parties in Italy.

The various proposals which emanated from the Embassy or were supported by it, and which may have had an influence on the elections are briefly summarized under the headings of the peace treaty, official American statements, and political, informational and economic activities. These are outlined below:

1. Peace Treaty.

a. The Tripartite Proposal on Trieste (my telegram 1965, July 15, 1947,² and my telegrams 883,³ 943,⁴ 966⁵ and 1154⁶ of March 1, 4, 6 and 16, 1948).

b. Prompt and affirmative action upon Count Sforza's suggestion that surplus submarines be scrapped rather than sunk (my telegrams 3865² and 4028, November 29 and December 13).²

2. Official American Statements.

a. The Secretary's mid-March statement at the University of California regarding the removal of Italy from ERP benefits if the Communists gained an election victory (Embassy telegrams 543⁷ and 761⁸ of February 7 and 21, and 1223 of March 19).⁹

b. Statement upon an inevitable decline in American tourist trade if a Communist Government should gain power (our letter to Ray Murphy, EUR, of February 24).¹²

c. Pertinent quotes from United States immigration laws upon inadmissibility of Communists given to non-Communist party leaders. (My telegram 1207, March 18.)¹⁰

d. Foreign Ministry denial of a Communist-spread rumor in Southern Italy that any persons voting would be ineligible to emigrate to America (my telegrams 1446, 1524, and 1639 of April 1, 5 and 10).¹¹ American consular offices in Italy also made proper statements on this.

3. Political Actions.

a. Letter writing program from America to relatives and friends in Italy. . . .

² Not printed.

³ See footnote 1, p. 509.

⁴ *Ante*, p. 509.

⁵ See footnote 3, p. 510.

⁶ *Ante*, p. 514.

⁷ *Ante*, p. 827.

⁸ *Ante*, p. 832.

⁹ See footnote 4, p. 854.

¹⁰ See footnote 3, p. 866.

¹¹ None printed.

b. Circular letters to about 5,000 United States Veterans' Administration beneficiaries in Italy, from well organized anti-Communist civic group, warning the beneficiaries of the uncertainty of their remittances if a Communist regime were elected.

c. Statement of support for the Italian autonomous Socialist movement (my telegram 1367,¹² March 27) from Norman Thomas, which when received was extensively employed by the independent Socialists.

d. Anti-Communist material made available to and effectively used by democratic political organizations and newspapers. (This appeared in posters, leaflets and articles comprising subjects such as the notorious anti-Italian army statements by Vishinsky at the Paris Conference and stories of comparative life in the United States and USSR.)

4. Informational Activities.

a. Effective aid provided to iron out copyright difficulties, thus permitting the Italian language publication of Kravchenko's "I Chose Freedom".

b. Support given to secure the greatest number of prints of the film "Ninotchka" which satirizes life in the USSR, and which enjoyed even greater nationwide success following the protest of the local Soviet Ambassador (my telegram 1452 April 1).¹²

c. Maximum showings of newsreels and topical shorts upon democratic processes such as elections facilitated by local Italian film board (see my telegrams 967¹² and 1101,¹² March 6 and 13).

d. The role of radio was limited through Government restrictions upon pre-electoral political broadcasting and since only a small number of people have radios able to receive American broadcasts. However, the suggested relayed broadcast (my telegram 1536 [1356],¹² March 26) by Hollywood stars for the benefit of widows and children of Italian aviators got good advance publicity, was well received, and added its healthy effect to the general campaign.

5. Economic Aid.

a. The American relief program (AUSA) and the interim aid program, as well as advance information and publicity upon ERP operations. (The Italian Government with Embassy cooperation used 500 million lire for six million posters on American assistance, as well as varied newsreels on the subject; it spent 8 million lire additional on leaflets and public conveyance signs; it used a postage cancellation stamp reading "Assistance from America"; it printed with appropriate Vatican approval 10 million prayer cards to Mother Cabrini (American saint) that American aid would continue, and it arranged publicity displays.)

b. Italian Government projects, financed by the lire fund, entailed relief projects, mainly for southern Italy. (These included a 1,500 million lire contribution to relieve the unemployed which was used for vocational training and 1,800,000 food packages; a 20 million lire land reclamation project; irrigation and repair of roads; 28 billion lire for railways; 4 billion lire to refit the passenger ships *Conte*

¹² Not printed.

Biancamano and *Conte Grande*, and a recent 7 billion lire enterprise of agrarian aid and development for southern Italy.) (See quarterly report on American relief programs dated March 30.)

c. Speeches by American Ambassador in various parts of Italy on every appropriate occasion, to explain the role and true purpose of American aid. (These were reported to the Department by despatch and telegram as they were made.)

d. Pre-election settlement of Italian war prisoner claims against the United States (Embassy telegram 662, February 1),¹⁴ the resultant ceremony at the Treasury Ministry being favorably covered by the press and newsreels (Embassy telegram 1477, April 2).¹⁵

e. Export of fruits and vegetables to Germany (see my telegram 541,¹⁵ February 7) for dollar exchange with resultant favorable publicity (my dispatch 602¹⁵ and telegram 1661 of April 12).¹⁵

f. Department's statement suggested in Embassy telegram 1319,¹⁵ March 30, upon imports of steel scrap from Germany to offset the unfavorable reaction occasioned by exports of steel scrap from Italy to the United States (radio bulletin, April 8).

g. Suggestion that the British make a timely export to Italy of gas coal (my telegram 1604, April 8),¹⁵ which was done prior to the elections.

h. Despatch of two experts (my telegram 939,¹⁵ March 4) from the United States to study agricultural and hydro-electric development possibilities in southern Italy (see radio bulletin 91 of April 16).

I cannot, of course, bring a letter of this nature to a close without expressing my profound admiration for the services of the Department in responding to our various suggestions. The imagination and industry which under your direction characterized the responses of our colleagues in the Department during this critical period made possible whatever success we may have achieved in supporting and helping the forces of democracy in Italy.

Sincerely yours,

JAMES CLEMENT DUNN

¹⁴ Not found in Department of State files.

¹⁵ Not printed.

Editorial Note

On June 28, 1948 the United States Ambassador, James Clement Dunn, and the Italian Foreign Minister, Count Carlo Sforza, signed the Economic Cooperation Agreement between the two countries. For the texts of the agreement and of the exchange of notes see *Treaties and Other International Acts Series 1789* (62 Stat. (pt. 2) 2421). The agreement entered into force on the day it was signed.

For the exchange of notes signed at Rome on September 28 and October 2, 1948, amending the agreement, see *Treaties and Other International Acts Series 1917* (62 Stat. (pt. 3) 3815).

840.50 Recovery/10-2048

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET

ROME, October 20, 1948.

No. 1499

SIR: I have the honor to transmit a copy of a memorandum prepared by the Minister Counselor of Embassy with regard to the conversation between the Honorable Alcide De Gasperi and Count Sforza with the Secretary of State at my residence during the Secretary's visit to Rome.¹ Secretary Marshall did not read this memorandum prior to his departure, but according to Martel 66 repeated Rome as 402, October 20, the Secretary has approved it without change.

Respectfully yours,

JAMES CLEMENT DUNN

[Enclosure]

Précis of Conversation Between Secretary of State George C. Marshall, President of the Council of Ministers De Gasperi, Foreign Minister Sforza, and Ambassador Dunn, October 18, 1948

ITALIAN ECONOMY

In reply to the Secretary's inquiry regarding the present general state of the Italian economy, the President of the Council of Ministers stressed as foremost the need for an immediate solution of the problem of Italian surplus population. He pointed out that Italian industry (particularly the mechanical industry in the North) had more workers on the pay rolls than was economically sound. This resulted in a vicious circle which tended to vitiate the benefits of the European Recovery Program. For instance, Americans supplied coal to Italian industry, but due to the excessive number of workers on the pay rolls and the resulting high production cost of the products, Italian industry did not yield a sufficient return for Italy to purchase itself the coal that was needed to restart the cycle. He said that a solution of putting excess workers on relief was politically most undesirable because the workers themselves felt strongly that they wanted work and not relief. He pointed out that public works took considerable time and heavy financing, both of which Italy did not have. The only solution politically

¹ Secretary Marshall, accompanied by Mrs. Marshall and his staff of personal assistants arrived by plane from Greece at Ciampino Airport near Rome at 4:00 p. m. Monday, October 18. Accompanied by Ambassador Dunn, the Secretary that afternoon called on the President of the Republic, Luigi Einaudi, and on De Gasperi and Sforza. Tuesday morning Secretary and Mrs. Marshall drove to Castel Gandolfo where they were received by the Pope. After saying goodbye to Count Sforza, Secretary Marshall departed by plane for Paris at 3:30 p. m. (Rome Despatch No. 1508, October 21, 1948, 111.11 Marshall, George C./10-2148)

practicable was the export of Italian labor to the other countries of Europe and South America. He appealed to the Secretary for the good offices of the United States in persuading other European and South American countries to accept Italian immigration.

In answer to Secretary Marshall's inquiry with regard to the magnitude of unemployment in Italy, the Prime Minister pointed out that it was over two million and that the annual population increase was over 400 thousand a year. The Secretary of State mentioned that he had had recent exploratory discussions on this problem with the Foreign Minister of Brazil, and he inquired what effect the proposed Italo-French Agreement would have in this regard. Both De Gasperi and Sforza said that France could readily absorb almost immediately a vast number of Italian workers which would have an immediately beneficial effect on both French and Italian economy. Sforza pointed out that Italy itself, through the proposed Agreement, was ready to sacrifice some of its heavy industry in return for the French sacrifice of some of its mechanical industry which employed a larger proportional number of workers. Sforza gave one explanation for delay on the part of the French in concluding the accord in that there was a latent political concern on the part of the French that Southern France might tend to be Italianized through too hasty admission of Italian immigrants. He also pointed out a fundamental French complex that France was a country of greater wealth and political importance than Italy and consequently somewhat more conservative in the adoption of such new ideas as the Customs Union. Italy, which felt more keenly the dire pressure of necessity, was more ready to take new steps. Secretary Marshall expressed the keenest interest and understanding of the need for the early conclusion of the Italo-French Customs Union. He also pointed out its importance in connection with the January-February hearings in Congress of the concrete results obtained so far through ERP. He said he would pursue this matter further in Paris and with Mr. Harriman.

Aside from over-population De Gasperi stressed that another problem facing Italian economy was the present industrial recession in Northern Italy. He gave as his primary explanation the fear of war which paralyzed the undertaking of new activity. Sforza added that business people in Northern Italy believed that in the event of war the first military line would be the Gothic Line and that Italian industry in the North would immediately fall into the hands of the Russians. In this connection he referred to the immediate memory of what a formidable obstacle the Gothic Line had proved in the campaign of the Allies against Germany. He then alluded to the importance of a feeling of military and political security in the solution of

the economic problems of Italian industry in the North. He referred to his recent speech regarding Italy's common interests with the Western Democracies and mentioned his own belief that the OEEC nations could develop further from an economic basis into a strong political and military front against the Soviet menace if supported by the United States.

The Secretary traced the development of American public opinion with regard to support of the Western Democracies from the initial attitude of Congress following the war in slashing military appropriations to the present strong support of a firm United States foreign policy. He stressed the tremendous importance of the Vandenberg Resolution and that American public opinion since that date had progressed much further in favor of the firmest sort of stand against Soviet aggression. He felt confident that in the forthcoming Congress it would be possible to obtain a more liberal policy with regard to military help for the Western Democracies and that appropriations would be passed. Moreover, the surplus materiel which had been scattered about and to a great extent disposed of at the end of the war was now being reorganized to a point where the time lag between shipments and an authorization from Congress would be considerably cut down from what would have been possible last June. He pointed out that the United States had to go slowly in this whole matter because it was our great preoccupation not to make any declarations that we could not fully back up with action.

WORLD SITUATION

With reference to the concern of both the Prime Minister and Sforza over the tenseness resulting from the Berlin situation, the Secretary reviewed the developments leading to that situation and his own personal experiences in dealing with Stalin and Molotov.² He related step by step the great personal effort he had made to convince them of his utter sincerity and he outlined some of the evasions and falsehoods with which he had been confronted. At the same time he pointed out that the Russians had lived up to their commitments during the war.

He explained in detail the developments surrounding recent reports with regard to the proposed sending of Judge Vinson to make an appeal to Stalin, including the fact that the proposal had been abandoned by the President immediately on the Secretary's recommendation, and, prior to the Secretary's recent departure from Paris to the United States for consultation with the President. He referred to the President's unique position of responsibility in being the only man in

² For documentation on the Berlin situation, see volume II.

the world who would be faced with making the decision as to the use of the atom bomb, and that already twice in the war the President had had to bear the terrific responsibility of making that decision. He said the President realized this most keenly and with grave preoccupation. He mentioned the President's great concern that no possible step should be left untaken towards convincing the Soviet Government that no one desired peace more than President Truman, but that if forced the point could be reached where the bomb would have to be used. Public opinion in America, due to intense Soviet provocation, had now reached the stage where it would fully support and demand the use of the bomb, and the Soviet Government knew this.

In describing the world situation the Secretary made an analogy of his recent trip to Greece where he found that everyone was concentrating on one mountain rather than on the general situation; he said that the countries of Europe seemed to be rather like a general who in an engagement of five divisions was devoting all his time to the action of one regiment; he was speaking of the Berlin situation. When he looked over the developments in Europe and the world as a whole he could not but be impressed by the great strides that had been made in the past two years towards a general improvement of both economic and political conditions and a resulting general setback of aggressive Communist expansion. He pointed to production figures in many countries that had already exceeded the estimates of their and our experts and to continuing favorable political developments such as the Italian and other elections. He thought that the Soviets had adopted their Berlin policy in a desperate effort to re-assert themselves against the tide of world resistance to their expansion. He gave statistics with regard to the extraordinary successes of the air-lift which now had established the ability of our occupation forces in Germany to continue indefinitely the provisioning of the non-Soviet zones in that city. For instance, in one day when 80 per cent of the transport planes had to be landed by instruments 7,000 tons of coal had been brought in as against the estimated requirement of 4,500 tons. Taking into consideration the tremendous factor of the atom bomb, the united American public opinion, the favorable political and economic developments already taking place in Western Europe, he did not believe that the Russians would force the international situation into war. The principal danger lay in the possibility that they might undertake an incident which could lead to war, since the American people, not subject to dictatorship control, could not safely be experimented with in incidents.

ERP

The Secretary outlined the historical development of legislation governing the appropriation of monies by the Congress, and he ex-

plained in that connection the importance of the ERP hearings next January–February before the Appropriations Committees and not before the Senate Foreign Relations Committee, which was far less subject to isolationist control and broader in perspective. He referred again to the importance of the Italo-French Customs Union as a concrete proof of the efforts these two countries were making to work together under the over-all European Recovery Program and he stressed the tremendous importance of each of the ERP countries being in a position to put forth evidence of the progress it was making towards full recovery.³

³ In telegram 4060 of October 20, not printed, Dunn expressed his view that "Secretary's visit here has unquestionably in my opinion had an extremely beneficial effect on our present relations with Italy. Aside from the favorable publicity concerning his visit, I consider that he has considerably strengthened De Gasperi's policy of orienting Italy with the free democracies. The Secretary's talk with De Gasperi has also strengthened the Prime Minister in his struggle against Communism in Italy, an issue which is of course not yet resolved." (111.11 Marshall, George C./10-2048)

711.66A/10-1948

Memorandum of Conversation, by the Secretary of State

SECRET

[PARIS,] ¹ October 19, 1948.

I called on His Holiness at his country estate in the Alban Hills at 9:15, Tuesday morning.² He received me with Mrs. Marshall present, and we had a conversation of about twenty or thirty minutes.

After the usual polite expressions he made some very direct statements about the situation. He expressed his gratification that I (he used the personal pronoun generally when really referring to our Government) had been unmistakably firm, that this attitude was the only one understood by the Soviets (I believe he used the term Communists). He considered the situation serious, but he thought our determined stand was for the best. He described in some detail the activities of the Communists in Italy, their methods of infiltration, their discipline (he emphasized this) in carrying out the instructions from Moscow, and their persistent intensity of purpose.

His Holiness spoke in very complimentary terms of the European Recovery Program, American assistance generally to Italy, of my part

¹ No place is indicated in the memorandum which was typed on stationery with the letterhead "United States Mission to the United Nations" which at that time was meeting in Paris.

After saying goodbye to Count Sforza, Secretary Marshall left Rome by plane at 3:30 p. m. that same day, headed for Paris (Rome Despatch No. 1508, October 21, 1948, 111.11 Marshall, George C./10-2148). It seems probable that Marshall dictated the memorandum that same day at Paris. See footnote 1, p. 883.

² October 19.

in it. He was most frank throughout with no evidences of diplomatic circumlocution.

I resuméd the situation as I saw it and explained very frankly what I thought was the procedure we should follow. I described the status of the airlift, as to its quantity, delays and durability through the winter.

I then referred directly to the atomic bomb, the fact that I thought the fear of it made somewhat improbable Soviet resort to military action.

I explained the facts of the turmoil in the United States about the President's suggested approach to Stalin, emphasizing and elaborating on Mr. Truman's deep concern and terrible predicament in being the sole individual responsible for the use of the bomb. I did this in the light of the impression I had already gained from the Pope regarding his strong approval of our determined position. I thought it was advisable to get these matters clear in his mind. He seemed to indicate a general approval of all that I said without making specific comments. I did not ask for any and maybe did not give him a good opportunity to make any at the proper moment in the discussion. His sincerity of view, clearly expressed, was reassuring.

G. C. M.

840.50 Recovery/11-1248 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

CONFIDENTIAL URGENT ROME, November 12, 1948—9 p. m.

4312. I fully concur that reduction overall first year ECA allotment would be inadvisable both economically and politically (reurtel 2765, November 10).¹

ECA mission fully expects Italy can and should utilize the full 601 million dollars. However, in the interest of balanced stocks and regularity of flow of raw materials, adjustments in commodity programming are necessary because industry has not been able to alter amounts forecast for first six months. Recommendations have already been made for certain shifts and others will follow. Italian Government is being urged to step up its industrial programs.

Increase of about \$30 million have already been made for larger cereals imports to permit raising pasta ration from 2 to 3 kilos monthly, thereby combatting price increase free market cereals and at same

¹ In this telegram, not printed, it was explained that the Department was reviewing the annual program for ERP and weighing suggestions for substantial cuts in individual commodities; it asked for the Ambassador's views (840.50 Recovery/11-1048).

time contributing to general price stability. (Toeca 303, October 11).² This was regarded as recovery measure as well as restoration prewar cereal consumption and as useful political move. Free market price bread dropped three percent and pasta seven percent as result government measures October 15 to 25.

I believe and ECA agrees other useful shifts in programming possible as industrial activity increases and internal financial problems solved.

ECA mission replying Ecato 290 today.²

Any decrease in allotment not only would elicit unfavorable publicity from opponents of program but would lessen confidence of all classes in ERP and in US "promise" and might accordingly slow down productive efforts.

Sent Department 4312; repeated Paris 678.

DUNN

² Not found in Department of State files.

840.50 Recovery/11-2348

The Acting Secretary of State to the Italian Ambassador (Tarchiani)

The Acting Secretary of State presents his compliments to His Excellency the Ambassador of Italy and has the honor to refer to his note No. 10485 of November 23, 1948¹ transmitting a memorandum setting forth the new proposals on the functioning of the O.E.E.C. which have been presented by the Italian Government to the countries participating in the European Recovery Program.

The Acting Secretary of State is gratified to note that the Italian Government has made suggestions to the other governments concerning measures which might be taken to strengthen the O.E.E.C. As the Ambassador is aware, the Government of the United States shares the view of the Italian Government that it is desirable for the countries participating in this program to consider this new organization as one which may outlive the European Recovery Program and serve

¹ In this note, not printed, Ambassador Tarchiani enclosed a translation of a memorandum dated November 19, 1948 addressed by the Italian Government to the Governments adhering to the ERP. This memorandum urged that:

"All the Governments associated in the E.R.P. should at once direct their efforts towards a double goal; the gradual building-up of a community of inter-dependent countries—just as Italy and France are now attempting by means of the establishment of a customs union—and the promotion of an increase in production resulting in an intensification of interchange of products between the various countries. This would bring about a reduction in production costs, a greater employment of labor and the improvement of the standard of living of the populations." (840.50 Recovery/11-2348)

to bring about a lasting economic cooperation among the participating countries.

WASHINGTON, December 14, 1948.

865.5018/12-1648 : Telegram

The Chargé in Italy (Byington) to the Secretary of State

ROME, December 16, 1948.

4663. Council of Ministers December 11 made following decisions re bread and pasta rations.

1. Abolished use mixtures minor cereals in bread ;
2. Established single extraction rate, reducing percentage for rationed bread from 83.6 to 80 ;
3. Made permanent the temporary increase in pasta ration fixing it at 3 kilos per month ;
4. Owing to savings on reduced cost of imported wheat, lowered sale price of wheat at mills from 7,800 to 7,450 lire per quintal. This allows reduction in price by one lire per kilogram for rationed bread and 4.5 lire per kilogram for rationed pasta.

Ronchi, High Commissioner for Food, announced these changes in radio address immediately following Saturday evening news bulletin. Stated changes made possible by increased imports from United States under ERP and by success negotiations in Argentina. Assured people that supplies assured to meet Italian requirements until new harvest.

In addition, referring to recent rises in olive oil prices, Ronchi announced decision to import oil seeds and seed oil to offset poor outlook for olive oil production. Sharply warned speculators that government will immediately begin selling its stocks of 47-48 oil (about 40,000 M.T.) to counteract upward trend.

Pass to ECA.

BYINGTON

Editorial Note

On December 30, 1948 the Agreement signed on January 3, 1948 between the Government of the United States of America and the Italian Government, providing for assistance to Italy under the Foreign Aid Act of 1947, was extended to June 30, 1949. For the texts of the *Notes Verbales* exchanged between the Italian Ministry of Foreign Affairs and the United States Embassy providing for this extension, see *Treaties and Other International Acts Series 1885* (62 Stat. (pt. 3) 3650).

THE UNITED STATES PARTICIPATION IN DISCUSSIONS ON DISPOSITION OF THE FORMER ITALIAN COLONIES IN AFRICA ¹

865.014/1-1548 : Telegram

*The Secretary of State to the United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Douglas)*²

SECRET

WASHINGTON, January 15, 1948—noon.

142. Colit 51. At their last meeting on November 22, 1947, CFM Deputies on Italian Colonies did not fix date for their next meeting since it had been agreed no meeting would be held during CFM session. It was understood Deputies would meet after CFM session to schedule further hearings of views of "other interested Govts" on disposition Italian Colonies. Since US Deputy would be Chairman next meeting suggest Gallman informally ascertain and report to Dept views other Deputies and Secretary-General Paton-Smith regarding desirable date and agenda of next Deputies meeting.

Dept considers this meeting should be held fairly soon in order to schedule hearings requested by those "other interested govts" which have not yet presented views and to draft letter informing govts concerned of hearings scheduled. Present feeling in Dept is that all remaining hearings should be held during as brief period as possible, perhaps early in March.

Dept is not planning send adviser London for next meeting Deputies but will consider sending adviser, if needed, for hearings of other interested govts.

MARSHALL

¹ For previous documentation, see *Foreign Relations*, 1947, vol. III, pp. 569 ff.

² Lewis W. Douglas, Ambassador in the United Kingdom, served as United States member of the Deputies for the Former Italian Colonies of the Council of Foreign Ministers. Waldemar J. Gallman, Counselor of Embassy, served as his Adviser and Alternate. For additional information about the United States Delegation, see *Foreign Relations*, vol. III, pp. 606-607, and *Participation of the United States Government in International Conferences, July 1, 1947-June 30, 1948* (Department of State publication 3443, Washington, Government Printing Office, 1949), pp. 7-9.

865.014/1-2348

Memorandum of Conversation, by the Assistant Chief of the Division of African Affairs (Palmer)

TOP SECRET

[WASHINGTON,] January 23, 1948.

Participants: Mr. W. D. Allen, Counselor, British Embassy
Mr. Joseph Palmer 2nd, AF

Mr. Allen called today at his own request and left the attached note regarding present British thinking on the future of Libya.

In presenting the note, Mr. Allen stated that he had been instructed to emphasize to the Department that the ideas set forth in the note only represented current thinking, although such thinking was in an advanced stage.

He also stated that the group which was working on this question in London was hopeful that, in the event the American Government found it possible to support British trusteeship over both Tripolitania and Cyrenaica, it would also be willing to associate itself with the British Government in explaining the reasons therefor to the French and Italian Governments.

Mr. Allen also revealed that the working group was somewhat disturbed about the timing of this whole matter in view of the fact that, if the decision were taken to place all of Libya under British Trusteeship, the plan would be known by August or September and might have repercussions affecting the Italian vote in the November elections.

Mr. Allen was told that, as he already knew, we had not made up our minds on the Tripolitanian question and that we have been anxious to see the findings of the Commission of Investigation and to await the outcome of the Italian elections on April 4 before doing so. We would, however, give every consideration to the British note and would pass along any thoughts we had on the subject as soon as possible.

[Annex]

EX ITALIAN COLONIES

As regards the future of Libya, the Foreign Office are on the verge of deciding that the advantage lies in working for a United Kingdom trusteeship for Libya as a whole (with the possible exception of the Fezzan). It will be recalled that in the recent talks¹ the possibility was discussed that the United Kingdom might try for a trusteeship for Tripolitania, as well as for Cyrenaica. Apart from the strategic advantages, British representatives on the spot point out that the inhabitants of the Arab countries wish for the eventual unity of Libya and are more likely to agree to an intervening period of United Kingdom trusteeship (with full internal self-government) leading to full independence after a term of years, if the trusteeship enshrines the principle of the unity of Libya. They also point out that any attempt to place Tripolitania under Italian trusteeship would meet

¹ Presumably a reference to the "Pentagon Talks of 1947", which are documented in *Foreign Relations*, 1947, vol. v, pp. 485 ff.; for specific references to Tripolitania and Cyrenaica, see pp. 543, 586, and 588.

with such violent Arab opposition as to react extremely unfavourably on the prospects of a trusteeship for Cyrenaica alone.

At the same time, the Foreign Office are inclining towards an Italian trusteeship for Somaliland and at least part of Eritrea, including Massawa. In Tripolitania the Foreign Office are thinking of the return of Italian settlers now in Italy (about 60,000), the organization of Italian settlers, where possible, into community groups, adequate arrangements for courts, a bureau or special representative for the Italian community in the administration, and a proportionate number of representatives of the Italian settlers in the eventual legislative body. With regard to the last point, it would of course be necessary for the Italian settlers to renounce Italian citizenship and to become nationals of Libya, if they are to participate in any legislative body, and this seems to the Foreign Office to be in their best interests.

The Foreign Office consider it to be most important that the Emir,² and also the leaders in Tripolitania, all of whom have asked for the advice of the British Government, should be told of the British Government's general line before the Four-Power Commission visits Libya early in March. They would be informed that British policy would be independence for Libya as a whole, but that since further internal development was necessary before Cyrenaica and Tripolitania could stand by themselves, the British plan was for an intervening period of United Kingdom trusteeship, with complete internal autonomy. It would be pointed out to them that this might be the only alternative to Italian trusteeship, at least for Tripolitania. The Foreign Office hope that, while they would probably ask the Commission for immediate self-government, they would say that, failing this, a period of United Kingdom trusteeship on the lines suggested would be acceptable.

If the way is to be prepared in Cyrenaica and Tripolitania in the middle of February (the latest practicable date), something will have to be said to the French by the British Government in the near future in order to avoid their hearing first through Arab sources. This is also desirable in order that the French representative on the Four-Power Commission may receive suitable instructions if the French can be persuaded to agree with these ideas. Since the French will almost certainly tell the Italians, something may also have to be said to the latter.

The Foreign Office hope that the United States Government will agree to their going ahead on these lines.

WASHINGTON, 23 January, 1948.

² Emir Sidi Idris of the Senussi Order in Cyrenaica.

Editorial Note

The Deputies for the Italian Colonies of the Council of Foreign Ministers met thirty times from February 2 to August 31, 1948 at Lancaster House in London to continue the discussion of the disposition of the former Italian Colonies. The British Deputy was Sir Noel Hughes Havelock Charles, former Ambassador to Italy; the French Deputy—René Massigli, Ambassador in the United Kingdom; the Soviet Deputy—Georgy Nikolaevich Zarubin, Ambassador in the United Kingdom; and the United States Alternate Deputy—Waldeemar J. Gallman, Counselor of Embassy in the United Kingdom. In June Gallman was recalled to Washington in preparation for his appointment as Ambassador to Poland, effective July 7, 1948. Ambassador Lewis W. Douglas replaced Gallman, with John E. Utter, United States Representative on the Field Investigation Commission, occasionally acting as United States Deputy in Douglas' absence. Documentation on the meetings including the minutes and records of decisions of the Deputies is in Lot M-88, Box 111. The telegraphic reports of the meetings are in file 865.014.

865.014/2-248 : Telegram

The United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Gallman) to the Secretary of State

SECRET

LONDON, February 2, 1948—11 p. m.

396. Itcol 100. DepItcol met this afternoon with Gallman presiding. Only agenda item disposed of concerned British request commission be instructed study disputed boundary between British and Italian Somaliland. French and US supported British request on basis it was similar to French request regarding boundary between Eritrea and French Somaliland approved by deputies last November but Soviet refused recognize similarity.

British agreeable to commission only collecting available data and not visiting disputed section boundary if that should entail too much time or expense. British were eager for immediate decision by deputies since commission expected go Bender Cassim Zukhin next few days.

Zarubin prolonged discussion with unexpected proposal that Italian Government be asked present facts regarding boundary rectification desired by British to include town of Bender Ziada in British Somaliland. French and British deputies protested strongly that Italian Government should not be consulted on such matter since Italy renounced

all rights to Italian territorial possessions in Africa in peace treaty.¹ Zarubin persisted in saying commission should not consider subject at all until facts had been reported by Italian Government. British and French deputies pointed out that such a procedure, due to short time of two weeks commission will remain in Italian Somaliland, would make investigation of boundary question by commission virtually impossible.

Agreement finally reached as follows :

1. Secretary-General to communicate British note to Italian Ambassador London immediately requesting factual memorandum on disputed section boundary soonest possible emphasizing that commission scheduled leave Italian Somaliland February 18.

2. Secretary-General to telegraph British note to commission now with instruction that commission is not to begin considering question until it has received Italian factual memorandum.

3. Italian memorandum to be telegraphed to commission when received by deputies although he agreed to such conditions as only way to get subject considered. French deputy stated Italian Government should not be consulted and that commission should not have to wait for information from foreign source until it could investigate facts on spot. Massigli therefore accepted the solution only on understanding that it did not create a precedent. British and American deputies agreed with French statement.

In opening statement on air transportation costs of commission Zarubin said commission should adhere original estimate expenses. Sir Noel Charles introduced new letter from BOAC explaining why costs could not be reduced. BOAC letter will be circulated and question of transportation costs will be taken up again at next deputies meeting tomorrow afternoon.

GALLMAN

¹ According to Article 23 of the Italian Peace Treaty Italy renounced all rights to Libya, Eritrea and Italian Somaliland.

865.014/2-348 : Telegram

The United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Gallman) to the Secretary of State

SECRET

LONDON, February 3, 1948—9 p. m.

414. Itcol 101. Nineteenth meeting DepItcol (Deputies Italian Colonies) held this afternoon with Gallman presiding. Deputies reached agreement on basis for proceeding with questions of transportation costs of commission and hearing views other interested governments.

[Here follows a discussion of transportation costs of the commission.]

Gallman suggested deputies consider Czechoslovak request present

views after receiving report of commission as basis for scheduling hearings of other interested governments.¹ Zarubin suggested establishing timetable of all hearings since Czechoslovak letter, as he put it, was just one of many requests for hearings. All deputies agreed to US suggestion that hearings interested governments be scheduled on basis replies already received from each government. Deputies agreed secretaries should prepare timetable of hearings based on these replies for deputies approval. Secretaries also instructed to draft letters informing each government when it will be heard. Effect of Soviet agreement to this proposal is to remove vexed question of whether hearings should be held before or after receipt of commission's reports. Reasonable timetable of deputies meetings and hearings of governments concerned should now be worked out without too much difficulty.

Deputies readily agreed that procedure for circulating reports of commission is clearly stated in paragraph 5 of document IC 29,² which states that deputies shall send copies of the reports to governments concerned immediately upon their completion.

Next meeting deputies will be held after secretaries discuss transportation costs with BOAC representative and draft timetable of hearings.

GALLMAN

¹ Three interested Governments (Egypt, Ethiopia, and Italy) stated territorial claims, while sixteen Governments: Australia, Belgium, Brazil, Byelorussia, Canada, China, Czechoslovakia, Greece, India, Netherlands, New Zealand, Pakistan, Poland, Ukraine, Union of South Africa, and Yugoslavia, wished to express their views on the disposition of the Italian Colonies.

² Not printed.

865.014/2-1948 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, February 19, 1948—10 p. m.

736. The Minister of Foreign Affairs¹ asked me to see him this morning and made following two requests:

1. He referred to a message he had conveyed to me through Count Zoppi² as reported in mytel 707, February 17, 8 p. m.,³ on subject of Italian colonies. He said this question had become of major political importance in Italy because of the widespread interest in former colonies and had been brought to the fore by the incident at [Moga-

¹ Count Carlo Sforza.

² Count Vittorio Zoppi, Secretary-General in the Italian Foreign Ministry.

³ Not printed; it reported that Zoppi had given Dunn a copy of the Soviet note of February 17, which stated that the Soviet Government favored the return of the former Italian Colonies to the protection of the Italian Government. Zoppi had also warned of the effect of this note on the Italian elections unless the United States made some statement to counteract it. (865.014/2-1748)

discio] in which the lives of some sixty Italians were lost.⁴ He also pointed out the manner in which the Soviet Government had taken advantage of the feeling here toward the colonies through the announcement by Moscow that the Soviets were favorable to restoring the former colonies to the "protection" of Italy. He said this expression of attitude combined with the previously announced favorable policy by France was being made the most of by the Italian Communists in their campaign against the government and against the Americans and British. He said he hoped very sincerely the United States would be able to make some expression which would put us in the position of favoring Italy and would also help toward inducing Great Britain to adopt a similar attitude in general even if there had to be some qualification in their attitude covering the question of Cyrenaica. Upon my return to the Embassy after luncheon I received a note from him saying that the Italian Ambassador⁵ has presented this case in a conversation with Mr. Armour,⁶ but he asked, in view of the importance of the matter, that I also convey his request to the Department.

2. Count Sforza also asked that consideration be given to an announcement by our government that the unused quotas for Italy for the war years be made available for immigrant visas now. He said that this was a matter of particular importance to the Italians of southern Italy and Sicily, regions where the Communists have been making substantial gains recently. He said it might be possible to consider this matter on same basis as the manner in which the Italians in United States were by governmental decision not declared enemy aliens during the war. He said that on that basis the Italians who were not able to avail themselves of these quota numbers during the war might now be granted the right to immigration visas.

I heartily endorse both of these requests in view of their importance in the electoral campaign now proceeding.⁷ Whatever we can do to help the prestige of present government it is to our interest to do and that well before the date of the elections, April 18 next. All the reports coming to us indicate that the Communist propaganda is making headway in the south, largely because of the difficult economic conditions there, as those regions are predominantly agricultural and the agricultural markets abroad having been almost entirely dried up. A statement of a favorable position on the colonies could be used by the

⁴ The incident under reference occurred January 11, 1948, during the Field Investigation Commission's examination of conditions in Italian Somaliland. It stemmed from a clash between pro-Italian and native demonstrations which resulted in sixty-five deaths, fifty-one of which were Italian.

⁵ Alberto Tarchiani, Italian Ambassador in the United States.

⁶ Mr. Norman Armour, Assistant Secretary of State.

⁷ For documentation on the U.S. interest in the Italian elections see pp. 816 ff.

government greatly to its advantage in proving its solicitude for Italian interests and would at least help to nullify the favorable position taken by the Kremlin on that subject, which, as we know, is entirely a matter of words for electoral purposes.

I do not know technicalities of the immigration matter but if an announcement could be made of the availability of the war year quotas with an intimation at the same time that, of course, the existing regulations would not permit Communists to avail themselves of these numbers it would create a general feeling of hope in the south for the alleviation of their economic situation and would I am sure prevent a great many people from going over to Communist side.

DUNN

865.014/2-2048 : Telegram

The Secretary of State to the United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Gallman)

SECRET

WASHINGTON, February 20, 1948—5 p. m.

581. Colit 58. Soviet attitude on question hearing other govts now appears clear in light Soviet statement support Italian trusteeship for former Colonies. It is now apparent Soviet intention is to force Dominions to state views prior to Italian elections thereby hoping indication of Brit attitude toward future of colonies will be revealed. It is obvious Communists could make good political use any such indications in forthcoming elections, especially when contrasted with Soviet support to Italy on colonial issue.

In view foregoing, instructions sent in Colit 55¹ are withdrawn and US Deputy should insist on procedure laid down Colit 48 and 53.²

MARSHALL

¹ Not printed ; it instructed the U.S. Deputy to permit preliminary hearings of the interested governments prior to the Italian elections (865.014/2-648).

² Not printed ; they instructed the U.S. Deputy to permit an interested government to present its views after the Commission had made its reports and added that failure to state its views before the Commission had reported would not prejudice its ability to do so later (865.014/11-1047 and 865.014/1-2648).

865.014/2-1848 : Telegram

The Secretary of State to the United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Gallman)

CONFIDENTIAL

WASHINGTON, February 20, 1948—7 p. m.

600. Colit 57. Following is line Dept taking in reply press inquiries re Soviet note to Italian Govt supporting Italian trusteeship for former Italian Colonies (Iteol 108) :¹

¹ Not printed.

"According Joint Declaration Feb 10, 1947 by Govts USSR, UK, US and France concerning Italian territorial possessions in Africa, which comprises Annex XI of Italian Peace Treaty, Four Powers agreed jointly determine final disposal Italian Colonies within one year coming into force of Treaty. It was agreed final disposal territories would be made in light wishes and welfare inhabitants and interests peace and security, taking into consideration views other interested govts. Also agreed commissions investigation would be sent colonies in order supply Deputies with necessary data on question and ascertain views local population. Four-Power Commission of Investigation now in former Italian Colonies to implement this provision of joint declaration. Commission has completed its tour Eritrea and now completing its work in Italian Somaliland preparatory visiting Libya.

"In view this agreed-upon procedure, US Govt considers it would be improper for it to make final decision as to position which it will take on disposal these territories until after it has had opportunity study reports Commission on wishes inhabitants and hear views other interested govts."

It is suggested you take similar line in reply inquiries. [No decision yet taken re possible additional statement suggested Rome's 707 Feb 17.] ²

Sent London as 600; rptd Rome as 477; Paris as 551; Moscow as 216; Cairo as 206; and Nairobi for Utter as 27 (Ficus 13).

MARSHALL

² Not printed. Brackets appear in the source text.

865.014/2-2548 : Telegram

The Minister in Ethiopia (Merrell) to the Secretary of State

SECRET

ADDIS ABABA, February 25, 1948—3 p. m.

40. Although Aklilou ¹ and Spencer ² have indicated that Emperor considers Soviet declaration most serious, it is noteworthy that published Ethiopian official reaction to Soviet communication to Italian Govt re return of former Italian colonies in Africa to Italian control has so far been of mildest sort. This may be attributed to belief that Soviet statement was merely intended to influence Italian elections and not meant (as stated by Soviet Chargé, ³ in talk with Foreign Minister (Legtel 38, February 24) ⁴ to be against interests of Ethiopia but to avoid establishment of American and British bases in Libya, Eritrea and Italian Somaliland. This was theme developed in editorial in govt controlled Ethiopian *Herald*, February 23. It sees great powers jockeying for control of Italy and its former colonies, particularly for Libya.

¹ Ato Abte Wold Aklilou, Ethiopian Vice Minister of Foreign Affairs.

² John H. Spencer, Advisor to Emperor Haile Selassie I.

³ Vasili A. Kharlamov, Soviet Chargé in Ethiopia.

⁴ Not printed.

Libyan air bases in British or American control would make Balkans highly vulnerable to air attack in event of war "which world fears might break out sooner or later" and would be threat to Soviet defense. Justice of Ethiopia claims to Eritrea and Somaliland is evidently not controlling consideration in this Soviet move. Soviet note seen as means of trying to win hand of "bawdy heroine" and part of drama in which "tragedy is almost visible on horizon".

Sent Dept, repeated Rome as 2; repeated Moscow as 2.

MERRELL

865.014/2-2548 : Telegram

The United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Gallman) to the Secretary of State

SECRET US URGENT
NIACT

LONDON, February 25, 1948—6 p.m.

717. Itcol 110. Soviet insistence on procedural requirement that other interested governments must present preliminary views may prevent any schedule hearings being adopted or letters to those governments agreed to. In view of this, Massigli¹ sent Leroy,² Minister-Counselor French Embassy, this morning to see Saksin, Counselor Soviet Embassy. Leroy reports there is practically no chance of agreement between Russian and other three deputies on this point and that the most Soviets are willing to concede is that dominions could present views about end of March. Soviet intention to force dominions to make statements before Italian elections is what we understand Department wants to prevent (Colit 58).³ Soviet deputy apparently has strict orders from Moscow and is unwilling to ask for new instructions. Consequently, serious split between Soviet and other three deputies may disrupt meeting DepItcol on Friday, 27th.

In such situation, Massigli may state French Government would want to hear all other interested governments whenever they want to present their views, even if Soviet deputy should veto hearings for certain governments on basis procedural requirement. Noel Charles would support such position. If US also supports Massigli, it could lead to situation where the three powers would hold hearings of governments concerned outside framework of CFM and DepItcol. In such situation, as we see it, blame would fall on Soviets, while other three powers would be upholding rights of small powers to express their views on future of colonies. It occurs to us that this might redound

¹ René Massigli, French Ambassador in the United Kingdom.

² Jean Leroy, Second Counselor at the French Embassy in the United Kingdom.

³ Dated February 20, p. 898.

favorably for US if question Italian colonies should be referred to GA. We say this while fully appreciating that if developments take the turn where the future of the colonies is left to the GA, a certain measure of control over this issue now in our hands would be lost to us. This is only one of a number of factors that must now be carefully considered.

Please instruct urgently what position US deputy is to take at Friday morning meeting.

[GALLMAN]

865.014/2-2648 : Telegram

The Secretary of State to the United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Gallman)

SECRET US URGENT
 NIACT

LONDON, February 26, 1948—6 p. m.

652. Colit 59. When question hearing other interested Govts raised (Itol 110 and 111)¹ US Deputy should initially maintain stand in accordance with procedure laid down Colit 58² and previous tels. In stating US position he may wish reiterate Dept's view that Soviet requirement would subject "other interested Govts" to different procedure than that required for Four Powers who are not obligated state views until after reports commission received. He may add that insistence on this procedure appears to us to come with ill grace from a power, which, by its action in recent days, apparently has prejudged the question under consideration and, in so doing, has made it evident that its interest in taking into consideration views of other interested Govts can only be regarded as *pro forma*.

If deadlock continues, US Deputy may accept text draft letter quoted Itcol 111 provided dates of hearing changed to May 1 to 15. If this not accepted, he may move for adjournment until May 1.

US Deputy should not support any proposal, such as that suggested by French, which might lead to three Powers holding hearings other interested Govts outside framework CFM and DepItcol. Dept feels this could only lead to Soviet charge that Three Powers ignoring procedure laid down by Italian Peace Treaty. Such charges might have considerable appeal to Italian electorate and prejudice our position in Italy.

MARSHALL

¹ Itcol 110, *supra*; Itcol 111, not printed; it would have permitted the interested governments to present their views before the completion of the commission's reports, but after the Italian elections (865.014/2-2648).

² Dated February 20, p. 898.

865.014/3-448 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, March 4, 1948—8 p. m.

1167. As pointed out in my 1159 March 4,¹ Bidault ² is very seriously worried about the situation in Italy. While he agrees completely with the views set forth in the Department's 663 March 2,³ and said that France would do all in its power to bolster Gasperi ⁴ government, said he disagrees with our present stand on the colonial problem and thinks that we are being "very unrealistic". He said that he is convinced that some form of combined US, UK and French support of the Italian thesis ⁵ on the colonies is more important than anything else to bolster the Gasperi government and disarm Communist propaganda in vital pre-election period. He went on to say, "if time were not of the essence and if the question were largely intellectual and theoretical he would agree with your position that until the four-power study on the Italian colonies has been completed the US, Britain and France should not express an opinion. However, the problem is not theoretical but very real. In the first place the Communists are launching a major assault on Italy, and despite the fact that the four-power study is not complete the Soviets have already come out in favor of the Italian thesis, thus putting the rest of us on the spot. Every day that we permit the Communists, through their powerful propaganda machine, to continue to hammer away on the Italian people that it is the US and Britain which wish to deprive Italy of her colonies whereas Soviet Russia wishes to hand them back, that many more votes will be lost. The time has come when in my opinion it is essential that US, UK and France find a suitable formula on the colonial issue which will take us off the spot." He said, "When your next door neighbor lives in an adjoining house and his quarters catch on fire there are two courses of action: one is to aid him to put out the fire with any means at your disposal, in the certain knowledge that your dwelling will go up in flames with his. The other course of action is to hold that you do not have proper firefighting equipment and do not know how and that it is the proper function of the municipal fire brigade to put out the fire since nothing can be done until the firemen arrive. Your position, that no formula can be found on the Italian colonial problem before the

¹ Not printed.² Georges Bidault, French Minister of Foreign Affairs.³ Not printed; it stated that the United States shared the concern of the French Government over the Italian elections and desired a concerted action to aid the De Gasperi government (865.00/3-248).⁴ Alcide de Gasperi, Italian Prime Minister.⁵ The Italian thesis was that all the colonies should be returned to Italy as trusteeships.

completion of the four-power study, appears to me to be similar to the second course of action outlined above."

Sent Department as 1167, repeated London as 150, Rome as 98, Moscow as 74 and Berlin as 83.

CAFFERY

865.014/3-648 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET URGENT

ROME, March 6, 1948—7 p. m.

982. Paris telegram 1167 of March 4 to Department repeated Rome as 98. We entirely agree with Bidault's appraisal importance of Italian colonial issue on forthcoming national elections Italy and his realistic view that positive prompt action by US, UK and France is essential to meet in some measure Communist election propaganda based on recent Soviet declaration policy. Embassy, therefore, submits for Department's urgent reconsideration our earlier recommendation for immediate statement of US policy (in concert with UK and France if possible) which would be no less favorable to Italians than colonial position recently taken by USSR (see Embtel 707, February 17 and 736, February 19).¹ Such action would, of course, be far more effective than formula contained in Embassy's later telegram 881² of March 1 submitted in light of Deptel 477, February 20.³

Sent Department as 982; repeated London as 94; Paris 131.

DUNN

¹ Telegram 707, not printed; 736, p. 896.

² Not printed; it suggested that the United States and United Kingdom assure Italian refugees of equal treatment with other nationals if they chose to return to the colonies (865.014/3-148).

³ Same as telegram 600, p. 898.

865.014/3-1148 : Telegram

The United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Gallman) to the Secretary of State

SECRET

LONDON, March 11, 1948—6 p. m.

1004. Itcol 117. Twenty-fourth meeting DepItcol held yesterday afternoon with Gallman presiding. Record twenty-third meeting approved.

Deputies considered French proposal for scheduling hearing of interested governments without reaching any agreement. Prior to meeting Embassy officer obtained British support for US position as in-

structed in Colit 62.¹ At meeting Zarubin, while agreeing in principle to French proposal, refused agree paragraph seven that proposal and insisted all hearings should be completed by April 7. UK and US deputies noted that Soviet had not changed position nor made any new proposal. In view Soviet intransigence French plea for reconsideration was ineffective and US and UK deputies maintained position that no hearings should begin until May 1 in order allow interested governments receive reports on Eritrea and Italian Somaliland. Deputies decided to report their inability agree on timetable of hearings to their respective governments. Thus question was temporarily shelved although it remains on agenda for consideration at some future meeting deputies.

Recent note from Italian Government to deputies² concerns subject of hearing views of Italian refugees from former colonies now in Italy. Last November deputies asked commission for its views on this subject and commission postponed its decision until reaching Libya (document IC 85).² Deputies decided to inform Italian Government that they agreed in principle to hearing views Italian refugees and were consulting with commission on best means obtaining those views. Deputies also decided to ask commission its view of Soviet proposal to hear Italian refugees by sending one representative each delegation in commission to Italy for that purpose after commission completes work in Libya. All deputies expressed general approval this proposal subject to receiving views of commission on its practicality.

Secretary General yesterday received memorandum from Italian Government presenting its views on Libya. Since deputies had previously sent similar Italian memoranda on Eritrea and Italian Somaliland to commission it was agreed send this memorandum on Libya to commission also.²

Deputies considered recent letter from commission concerning security of persons testifying before commission. Letter refers to requests made by several political organizations in Mogadishu to have commission leave observer in territory to see that public order was respected and that reprisals were not taken against any persons or groups. Since this matter was outside scope of commission it advised deputies of requests. Deputies agreed matter was outside their functions and powers as well and that maintenance of public security was responsibility of government administering territory. Therefore, deputies

¹ Not printed; the French proposal suggested that hearings begin March 17 and end May 14. Colit 62 instructed the U.S. Deputy to delay all hearings until May 1, since the satellites would support the Soviet position, while the other interested governments might embarrass the Western Powers with their views (S65.014/3-948).

² Not printed.

decided forward letter to British Government for its information without any comments. Commission will be informed that its letter this subject is being forwarded British authorities.

English text commission's report on Eritrea received by Secretary General few days ago and was circulated to deputies March 9.³ French and Russian text will not be received and reproduced before March 20. Since commission has not yet agreed on appendices to be included in report copy English text appendices may not be sent deputies for about three weeks. French and Russian translations appendices will have to be done in London and since they comprise some 200 pages Secretary General considers entire job translation and reproduction may not be completed until about May 15. US, UK and French deputies generally agreed that report as received should be sent all interested governments as soon as French and Russian translations ready in order allow interested governments as much time as possible to study report before presenting views. They also thought appendices should be distributed whenever they are completed. Zarubin took contrary view and declared report should not be sent to any other interested government until all of report, including appendices, had been received and translated. Zarubin used paragraph five, document IC 29⁴ as argument for saying reports should not be distributed until they were completed, and pointed out that secretary of commission, in letter covering report, stated "no date can be given for completion of appendices to Eritrea report as agreement has not yet been reached regarding materials to be included." In view delay appendices, Zarubin contended, interested governments would not receive report before hearings even if hearings did not begin until May 1. Faced with this pronounced disagreement, deputies postponed further discussion re distribution report until after deputies and their governments had studied report.

Deputies did not discuss chapter of Eritrea report on results of investigation wishes of inhabitants on which commission was unable to agree. Secretary General has received draft texts this disagreed chapter with statements delegations in commission which are being reproduced for circulation to deputies. Copies will be forwarded to Department as soon as possible.

Gallman, as chairman, summarized discussion and noted items retained on agenda: hearings interested governments; hearing Italian refugees; and report on Eritrea. Gallman then stated next meeting could be held after deputies have further considered these subjects and have consulted their respective governments, and thus next meeting could be held whenever the deputies desired. Zarubin objected such

³ Not printed; for text, see *Four Power Commission of Investigation for the Former Italian Colonies, Official Reports*, 3 vols., 1947-8.

⁴ Not printed.

procedure might postpone next meeting for weeks or months. But French deputy, who will be next chairman, stated they would request meeting next week.

French informed us privately they want deputies at next meeting to instruct commission to investigate boundary questions concerning French territories and Libya in regions of: west of Nalut, Gadames, west of Gat, Tummo, and northern Tibesti.

GALLMAN

865.014/3-1148: Telegram

The Secretary of State to the United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Gallman)

SECRET NIACT

WASHINGTON, March 17, 1948—6 p. m.

942. Colit 63. Dept approves principle hearing views Italian refugees in Italy after Commission's visit Libya (Iteol 117),¹ but is apprehensive Soviets might endeavor obtain agreement Commission's sending delegation to Italy before Italian elections for propaganda purposes. If Soviets should make such proposal, U.S. Deputy should firmly maintain position visit Italy should not take place until after Commission has completed investigations Libya in order not interfere efficient functioning commission.

Sent London as 942; repeated Utter as Ficus 19; and Rome as 724.

MARSHALL

¹ *Supra.*

865.014/3-1848

Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Forrestal)

TOP SECRET

WASHINGTON, March 18, 1948.

In accordance with the memorandum from your office dated 11 March 1948,¹ the Joint Chiefs of Staff have considered an enclosed letter from the Secretary of State dated 10 March 1948¹ in which he requests the views of the Joint Chiefs of Staff concerning the matter of disposition of the former Italian colonies in Africa, together with a statement as to whether their opinion of 8 July 1947 on the subject (SWN-5543)² remains unchanged.

The views set forth in SWN-5543 are applicable to all former Italian colonies in Africa and are unchanged. In summary form, they may be restated as follows:

¹ Not printed.

² *Foreign Relations*, 1947, vol. III, p. 592.

a. No disposition of the Italian colonies giving the USSR either unilateral or joint control of any colonies is acceptable.

b. No disposition of Italian colonies giving a Soviet satellite, or a non-satellite communist government, control of any Italian colony is acceptable.

c. It follows from subparagraph *b* above that Italy should not be allowed to resume control of any of her colonies unless it has previously become clear that Italy's government will remain non-communist.

d. Even in these circumstances (subparagraph *c* above), there should be no resumption of control by Italy unless, for maintenance of peace in the colonies, she is allowed appropriate increases in the armed forces granted her by the treaty of peace.

e. For the successful implementation of British strategic policy in the Middle East and eastern Mediterranean, which area is of great and mutual strategic importance to the United States and to the United Kingdom, it is increasingly important that British armed forces have the bases in that area necessary for effective operation. Thus it is, for example, essential that the British, rather than the Italians, have control of necessary Libyan bases.

With respect to subparagraph *e* above, the Joint Chiefs of Staff would point out that the United States recently concluded agreements with the British for certain rights to air facilities in Libya, which may become increasingly essential to support of United States policies in the Mediterranean. Other areas of Libya may also acquire greater importance in British and/or United States strategic policies.

While the Joint Chiefs of Staff believe that, from the military point of view, the United States does not have appreciable specific interest in Eritrea or Italian Somaliland, it would be most desirable to support the British in attaining, with respect to these colonies, their military requirements, consisting of rights for use of military bases, communications and areas essential for the security thereof.

It is highly important that a friendly government be maintained in strategically important Italy and that friendly relations be regained, and thereafter maintained, with the Arab states, because of the significance of Italy and the Arab states in assuring us access to the militarily valuable Middle East oil resources.

It would appear, however, that raising the question of disposition of Italian colonies at this time would serve neither of these objectives, since the Arab states are opposed to the return of the colonies to Italy, and since Italy would be satisfied only with resumption of her own control, which is, if military considerations are given full weight, impracticable.

For the Joint Chiefs of Staff:

WILLIAM D. LEAHY

Fleet Admiral, U.S. Navy,

Chief of Staff to the

Commander in Chief of the Armed Forces

865.014/4-3048 : Telegram

The Secretary of State to the United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Gallman)

SECRET

WASHINGTON, April 30, 1948—5 p. m.

1548. Colit 69. When question distribution Commission's reports and hearing views other interested governments discussed next meeting Depitcol (Itol 124),¹ US Deputy should generally endeavor take positions best calculated meet reasonable desires those governments whose support will be valuable if matter goes UNGA.

With regard distribution reports, Dept prefers continue take position outlined second pgh Itcol 121 and Colit 66.²

Re hearings other interested governments, Dept prefers revert our original position that presentation views before receipt Commission's reports should not be considered condition precedent to presentation supplemental views after receipt reports. It might be pointed out matter now somewhat academic in view fact Eritrean report ready for distribution and Somaliland report should be ready soon. We might therefore suggest that hearings be scheduled on following basis:

1. Deputies should hear as soon as possible any other interested govts that may wish be heard at this time;
2. Any govts heard now may present supplemental views after having studied report on Libya;
3. Any govts not wishing be heard now may present views after having studied report on Libya.

Please discuss foregoing with your Brit and French colleagues with view towards coordinating your positions before meeting if possible.

Dept agrees undesirability any of Western Powers precipitating break-down meetings and is prepared accept reasonable compromises on foregoing procedures.

MARSHALL

¹ Not printed.

² Neither printed; they supported the proposal for the immediate circulation of the Commission's reports to allow the interested governments sufficient time to present their views based on the reports (865.014/3-3048).

865.014/5-648

Memorandum by the Director of the Office of Near Eastern and African Affairs (Henderson) to the Under Secretary of State (Lovett)

TOP SECRET

[WASHINGTON,] May 6, 1948.

Subject: Discussions with British on Former Italian Colonies.

Problem

To decide whether, in the light of the current situation in Palestine and the resulting unrest in the Near East, we should comply with the

British suggestion that further Anglo-American talks should be held in the near future on the disposal of the former Italian Colonies.

Discussion

On April 20th, Mr. Dennis Allen, Counselor of the British Embassy, suggested informally on instructions from Michael Wright in the Foreign Office that further talks between the British and American Governments should be held "at a fairly early date" regarding the future of the former Italian Colonies. I replied at that time that we would be glad to consider this suggestion and that I would take the matter up with the interested officials in the Department. I added, however, that I was extremely pessimistic about the general situation in the Near East and that it seemed pointless for us to discuss at this time problems like the Italian Colonies while developments in Palestine were nullifying all of our efforts in the Near East.¹ I expressed some doubt as to whether there was any point in discussing the Colonies until a better idea was obtained as to what would happen in Palestine.

The Four Power Commission of Investigation will have completed its field investigations by May 23rd, at which time it will return to London in order to write its report on Libya. After the report has been completed and studied by the Four Powers, the Deputies will proceed to discuss the future of the territories. It is probable that this will take place the latter part of June or early July and it will be necessary for this Government to be prepared with its final position on the matter at that time.

Recommendation

In view of the foregoing, it is recommended that I be authorized to talk to Dennis Allen along the following lines :

"We have carefully considered Michael Wright's informal suggestion that further talks be held between our two Governments regarding the future of the Italian Colonies. As I told you on April 20th, however, we think that it would be useless to discuss this matter until a better idea can be obtained as to what will happen in Palestine. Moreover, we are still in the process of formulating our own tentative position on this subject. Although we realize that there is an important time factor in this situation, we feel that it would be better to postpone further talks until after we have had an opportunity to observe how the Palestine situation develops and to clarify our own thinking. Before adopting a final position, we do, however, wish to discuss the matter with the British Government in detail.

"The Four Power Commission of Investigation will complete its field work on May 23rd at which time it will return to London to write its report on Libya. Based on experience to date, it would seem unlikely that the report will be finished before the latter part of June. We are

¹ For documentation on the Palestine question, see volume v.

tentatively giving ourselves until the 1st of July before we have to take a definite position in the Deputies' meetings regarding our proposals for the future of these territories. If any of the other Powers involved should suggest that the actual problem of the disposition of the territories should be discussed before that time, we would take the attitude that we require at least until July 1 to study the report on Libya. We hope that the British Government will support us in this point of view.

"Assuming that we shall have until July 1 before having to take a definitive position, we wish to suggest that the talks should be held during the week of June 7th. Due to preoccupation with other problems, it would be very difficult for us to send anybody to London and we would, therefore, prefer to have the talks held in Washington.

"We understand that Sir Noel Charles informally suggested to Mr. Gallman the desirability of holding joint Anglo-French-American talks on this subject. We are in accord with the desirability of such talks and suggest that they should be held as soon as possible after the conclusion of the Anglo-American talks".

L. W. H[ENDERSON]

865.014/5-2148 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET

LONDON, May 21, 1948—6 p. m.

2199. In informal conversation today Scott Fox¹ spoke as follows re Libya:

1. While Foreign Office thinking is "fluid" re Eritrea and Italian Somaliland, it is firm re Cyrenaica. Conviction is growing in Foreign Office, however, that British Government can only develop Cyrenaica properly and peacefully if British Government takes on in addition to Cyrenaica Trusteeship for Tripolitania. According Scott Fox, taking on Tripolitania will be thankless and expensive task but British Government sees no other government on horizon as locally acceptable as itself, unless it be US Government, although recent developments re Palestine may have reduced latter's local acceptability.

2. Speaking personally, Scott Fox said British Government has tried unsuccessfully to convince French Government that any attempt by Italians to reinstate selves in Tripolitania would "create another Palestine". As solutions French Government would *prefer* see Tripolitania first under Italians, second under French, thirdly under British and (least acceptable of all to French Government) independent.

¹ R. D. J. Scott Fox, Assistant Head, Egyptian Department, British Foreign Office.

3. Scott Fox believes that in any US-British talks on subject, His Majesty's Government would endeavor convince US Government of firm conviction of HMG that interests of all concerned will suffer through any attempt get Italians back into Tripolitania. Guerilla warfare trip [*sic*] would adversely affect British base Cyrenaica and provide "wonderful opportunity for USSR which probably had this in mind in advocating return of Tripolitania to Italians".

4. French Government, said Scott Fox, appears determined not to believe British Government predictions and in consequence "only US Government can convince the French". Best strategy in this connection should be discussed. (Dept's 1814 May 19).²

5. Asked whether Egyptian Department Foreign Office is encountering difficulties in persuading Foreign Office officials dealing with France and Italy of validity its views, Scott Fox said that there is now full agreement in Foreign Office "although our Rome Embassy doesn't like it".

6. Replying to Embassy officers inquiry, Scott Fox said that question as to whether British Government as trustee for Libya would have right to grant base to another power was put recently to Foreign Office legal Department. Legal Department has just expressed view that trustee powers, under a clause comparable Tanganyika Defence Clause would have right to grant base to third power.

DOUGLAS

² Not printed.

865.014/5-2848 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET

PARIS, May 28, 1948—4 p. m.

2849. From Utter USfic 49. During three day visit Rome heads delegation FIC Commission heard eight organizations of former residents in Italian colonies, including group Libyan Moslems mostly employed in Italian Colonial Office, and visited two camps near Rome. While publicity given commission's visit no incidents occurred. All persons interviewed wish return to former homes and naturally expressed desire for Italian trusteeship. Only useful purpose served by visit was to placate Italian authorities and refugees by registering latter's views. Many publications and memoranda submitted, avidly received by French who will doubtless endeavor incorporate

them in Libya report. Soviets show little interest in investigation.¹
[Utter.]

CAFFERY

¹ In telegram 2138 from Rome, May 11, not printed (865.014/5-1148), Ambassador Dunn had warned that a visit of the Field Investigation Commission to Italy would adversely affect the position of the United States in Italy. The United States, nevertheless, in telegram Ficus 26 to Benghazi, May 13, not printed (865.014/5-1348), agreed to have the Field Investigation Commission visit Italy, but instructed its representative, Utter, to maintain close contact with Embassy Rome and avoid any incidents.

865.014/6-348 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary
of State*

SECRET

LONDON, June 3, 1948—1 p. m.

2430. USfic 51 from Utter. The following are our recommendations on the future of Libya :

The unity of Libya is not indispensable, although it would doubtless be advantageous economically to the inhabitants. While the Tripolitarians could probably be persuaded to accept Idris as Emir, their failure to ask for him at the time of the commission's visit indicates an important difference in the political outlook of the two territories. The Cyrenaicans are united in their devotion to the Senussi House and look forward to a hereditary monarchy, benevolent but authoritarian in nature, on the traditional Arab model. In Tripolitania, where urban life and sedentary agriculture are more important, the inhabitants look forward more to a constitutional government on European lines. They would probably accept the Emir as a monarch with limited powers, but not his heirs. If complete unity under one administration were imposed from the outside, it would certainly be a source of future trouble and the question had best be settled by free negotiations between the leaders of the two territories. Probably the Tripolitarians would refuse to accept the Cyrenaicans' wish for a Senussi hereditary dynasty.

In both territories independence has become the ruling passion. Trusteeship is in bad order and is regarded as a disguised form of colonialism. Italian trusteeship would certainly lead to serious troubles in both territories, and more especially so in Cyrenaica where the tradition of resistance is still strong. How serious in Tripolitania would depend on the military competence and political skill of the Italians. We are not in a position to judge the former but our experience in the colonies and in Rome has given us grave doubts of the latter. It should be recalled that the original Italian conquest was never completed by

democratic Italy and took the Fascists eight to ten years. Even the return of the Italian farmers to Cyrenaica under the aegis of another power would be vigorously opposed since they occupied most of the best land. Italians are definitely *personae non gratae* in Cyrenaica. Perhaps the most the inhabitants of Tripolitania would accept is a limited immigration of Italian technicians if it were quite certain that there would be no harmful political consequences.

American trusteeship, we consider, would be acceptable in Tripolitania and perhaps in Cyrenaica as second best.

We believe it would be preferable, however, for both territories to be granted independence after a very brief period of a few years, of preparation under Great Britain without international supervision. While the inhabitants are certainly not fully able to govern themselves, they would not be unwilling to accept outside assistance after independence is achieved and indeed in Cyrenaica the people take it for granted that they would be aided by their ally, Great Britain. If the US and UK were to support such a solution, the gain in good will, both in Libya and in the Arab world, would more than outweigh, we believe, the undoubted loss of administrative efficiency and would serve as a lasting basis for our friendship with those peoples. It would, moreover, help to offset the hostility in the Arab world which the US has incurred over Palestine. Moreover, the strategic interest of the US and the UK might more easily be achieved through treaties of alliance and assistance with independent governments than through trusteeship agreements. While it is for the Department to judge, we might suggest that American public opinion would probably support an American alliance with an independent Tripolitania much more easily than American trusteeship and thus a foothold in the eastern Mediterranean could be obtained.

If the Department should decide to support British trusteeship, we still believe that it would be advisable (as a tactical measure in order to obtain the good will of the Libyans) for the US and UK Deputies to advocate at the outset independence after a brief delay. The French deputy can be counted on to insist that a long period of preparation will be necessary, and British trusteeship can be our second proposal. It has occurred to us that joint UK-US trusteeship of Libya (with British administration over Cyrenaica and US over Tripolitania) might be practicable and desirable, although we have given no thought to the details.

As far as the Fezzan is concerned, we see no justification for giving it to France. It would be economically irrational and detrimental to the inhabitants and would surely lead to Tripolitanian irredentism. The French proposals for frontier adjustments seem to indicate that

they are not confident of obtaining trusteeship over the whole of the Fezzan. We see no particular objection to giving them the region of Ghat (see USfic 31¹) and the uninhabited area south of the Tropic of Cancer, but US support of these changes might well be used for bargaining. In Ghadames, Tripolitanian nationalism is strong and west of Nalut French efforts to win over the inhabitants do not appear to have achieved success. (See USfic 31.) Nevertheless, the population involved is small and the point might well be conceded if really necessary to obtain French support for our position.

The frontier changes desired by Egypt have no basis whatsoever. (See USfic 44.²) [Utter.]

DOUGLAS

¹ Not printed.

² Not printed; in it Utter outlined the Egyptian claims to Massawa, Bardia, the Bay of Sollum and the oases around Djarabub (865.014/5-1648). In August Egypt dropped its claims to Massawa.

865.014/5-2548: Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, June 11, 1948—6 p. m.

2198. Embs A-1124 May 25.¹ Dept giving thought question CFM on Italian Colonies. While no decision has been reached, Dept does not consider personal meeting of Foreign Ministers is required by terms Peace Treaty on following grounds:

1. Pgh 4 Annex XI is only section Peace Treaty which mentions CFM in connection Ital Colonies. All other pertinent parts Art 23 and Annex XI speak of decisions by Four Powers or Four Govts.

2. Protocol of Proceedings establishing CFM at Berlin Conf makes it evident Council set up "to do the necessary preparatory work for the peace settlements". Fact that FonMins could not attend personally at all times recognized by provision for appointment of high ranking deputy duly authorized carry on work of Council in absence his FonMin. Council also authorized adapt its procedure to particular problems under consideration.

3. In view provisions Berlin protocol, CFM considered to be an organizational unit for handling appropriate matters in connection peace settlements rather than exclusive body consisting of FonMins themselves. It would therefore not appear necessary for FonMins to meet personally to consider DepItcols recommendations which could be submitted instead to Joint Secretariat of CFM and then distributed to Foreign Secretaries through their deputies. Such a procedure would

¹ Not printed.

conform letter and spirit Pgh 3 Art 23 which provides that final disposal these possessions shall be determined jointly by govts of Four Powers.

Dept emphasizes no decision yet taken re attitude it will take if question meeting FonMins raised.

MARSHALL

865.014/6-1948 : Telegram

The Secretary of State to the United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Douglas)

TOP SECRET

WASHINGTON, June 22, 1948—4 p. m.

2334. Colit 72. Principal reason leading Dept to indicate in response to Fonoff suggestion it would be glad hold further conversations with Michael Wright at this time was belief that Deputies would begin discussion actual disposition of territories involved about middle July (Embtel 2714 Jun 19).¹

It now appears Commission will not complete report on Libya until Jul 6 and suggestion was made in 28th meeting Deptitcol² that timetable be changed so that Deputies would not begin preparation reports until about Aug 2. This revised timetable would greatly facilitate Depts immediate task in finalizing its position. US Commissioner should therefore discreetly take all possible steps to ensure that report on Libya not completed until Jul 6 at earliest and US Deputy should continue insist on revision timetable suggested Itcol 136.³

While the risk that Wright's presence in Washington would lead to undesirable publicity connecting his visit with Palestine does not seem very great, we recognize that this risk does exist. We are therefore informing Britemb of foregoing instructions to US Deputy and Commissioner and adding that in view this development, we would prefer postpone talks with Michael Wright for further period three weeks, at which time our position should be more developed and conversations more fruitful. We are suggesting they might be held week Jul 11, which should leave sufficient time for review of position in case of divergencies and for talks with French before having take position in Deputies meeting about Aug 2. We would also prefer defer decision as to whether talks should be held Washington or London until about a week before that time. Meanwhile, we would greatly appreciate Brit support in working for revised timetable.

¹ Not printed.

² June 16, 1948; the suggestion was made by Utter.

³ Not printed; the revised timetable called for: July 17, dispatch of report on Libya to interested governments; July 27–August 1, hearings of interested governments; August 2–11, preparation of the Deputies' report; August 12, presentation of report to the Council of Foreign Ministers.

Although Dept feels it has well-rounded picture Brit ideas on Libya, it has had no recent indication Brit thinking on Eritrea and Italian Somaliland. It would be of greatest help to Dept if it could obtain indication Brit thinking these territories soonest possible, particularly whether Brit attach any strategic importance either territory.

MARSHALL

865.014/6-2848 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET URGENT

ROME, June 28, 1948—noon.

2798. Following is my estimate repercussions in Italy re US action disposition Italian colonies as outlined Deptel 1726 June 24.¹

1. Question of Italian colonies is one which is as fundamental to all Italians as is that of Trieste. US policy re disposition these territories must take that fact into consideration. With exception of Trieste there is no other single issue upon which Italian people are so completely united. Embassy's reports Italian press reaction must surely show the deep emotion with which this subject is viewed from extreme left to extreme right. The hysteria over the Mogadiscio massacre and the resentment against Great Britain were shared without exception by every Italian. Italian emotion re colonial question is the result of some fifty years of national effort to acquire colonies. It is accentuated by the years of hardship and sacrifice Italy has expended towards that end. The almost pathological Italian attitude towards Italian Colonies must be regarded as a deep seated fixation and not a temporary phase of emotional development subject to change or palliation.

2. Any such disposition of Italian Colonies as outlined in NSC working paper ² would consequently have a far reaching effect upon Italian-American relations as well as Italy's relations with Western Europe. In Italian eyes a solution which placed under British trusteeship the major portion of the former Italian Colonies would be an act of cynical betrayal ruthlessly perpetrated by her "friends" to satisfy British imperial policy and made possible at this time because of Italian military weakness. The repercussions would be tremendous to every section of Italian opinion and American support of a proposal of such kind would not only be vehemently denounced but also would be unanimously regarded as an American sellout of legitimate Italian interests to accommodate Great Britain.

¹ Not printed; it proposed the following: Libya—British trusteeship; Eritrea—divided between Anglo-Egyptian Sudan and Ethiopia; Italian Somaliland—Italian trusteeship (865.014/6-2448).

² The NSC working paper was outlined in telegram 1726; see footnote 1.

3. In estimating these repercussions we must keep in mind that the Communists were able to carry with them on April 18 over 30 percent of the population despite the effect of such issues as the church, American bread, and Trieste. The Communists in the elections were unable fully to capitalize on the colonial issue, notwithstanding Soviet and satellite statements favorable to Italy, because in the absence of an American declared position the average Italian felt confident that Americans would in the end be favorably disposed toward Italy on this issue, as are the French, and that the British alone would not be an insurmountable obstacle. Italian public opinion is totally unprepared for US support of British trusteeship and the eight million Communist and fellow-traveller voters are in need of just such an issue to justify an all out attack on the government. The popular strength of the government itself is based upon general acceptance by its supporters of the thesis that it is in Italy's interest to align herself with the forces of western democracy and ERP and to resist eastern Communist hegemony. Disposal of the Italian colonies to British trusteeship would provide a possible mortal blow to the government's popular position vis-à-vis the Communists.

4. If US were sure a definitive solution of this problem would be made possible by US support of the proposals under consideration it might be argued that repercussions in Italy should be regarded as a necessary risk. Since the Soviet and French positions are favorable towards Italy it seems that the proposed US action will not achieve a definitive solution. Therefore without the likelihood of accomplishing the desired end, we would embark on a policy that would strike at the foundation of American relations with Italy. We would run a serious risk of sacrificing the considerable success we have achieved in our relations with Italy at the expense of the most strenuous efforts during and since the war.

5. I venture to submit for the Department's consideration that any final formulation of US policy in this matter should be postponed until we have reached final conclusions as to our strategic requirements in that area. Once those interests are clearly defined and agreed to by the government departments concerned they will of course, form the basis for any subsequent development of policy. It would then be my recommendation that we should fully consider the feasibility of the new Italian proposal to Great Britain reported in my 2694 of June 19,³ with particular reference to Tripolitania, Eritrea and Somaliland. Should the Italian suggestion prove unacceptable the alternative would seem to be a form of joint Italian and United Nations trustee-

³ Not printed; this proposal suggested the return of all the colonies to Italian trusteeship "... provided it were acceptable to the inhabitants." (865.014/6-1948)

ship or independence with due regard to Italian interests such as equal facilities with other nationals for immigration, trade and agriculture. It is my duty to warn the Department that US support for British trusteeship over the former Italian colonies must be avoided under all circumstances unless we are prepared to risk jeopardizing both our Italian policy and the struggle of the present Italian Government against the Communists, which struggle as the Department knows, is by no means decided.

DUNN

865.014/7-248

*Memorandum of Conversation, by the Under Secretary of State
(Lovett)*

SECRET

[WASHINGTON,] July 2, 1948.

Participants: The French Ambassador¹
The Under Secretary
Mr. Schwartz, AF

Mr. Bonnet called on instructions of his Government to discuss with me the question of the former Italian Colonies. He said that his Government wished to exchange views with the American Government, and with the British Government, before the Deputies to the Foreign Ministers began discussing this subject in London.

The Ambassador said that the French Government had no strong views on Italian Somaliland and Eritrea and felt that the disposition of these two areas could be resolved without much difficulty, probably by returning them to Italy but with border rectifications and a corridor to the sea for Ethiopia.

The important problem, according to Mr. Bonnet, is concerned with Cyrenaica and Tripolitania and he based the following French argument in favor of the return of these two areas to Italy on the belief of the French Government that Great Britain wishes to make them independent:

1. Tripolitania and Cyrenaica play an important part in the internal Italian political picture. If they are not returned to Italy, it will be a blow to the Government and provide ammunition for the communists. Italy needs some place to send part of her excess population. France wishes to help Italy morally and economically.

2. Italian settlers were driven out of Cyrenaica in 1941 and, as a result, the economic life of the country, which flourished under the Italians, has been ruined and the farms are in bad condition. If Tripolitania were made independent the same results would occur because the Italian residents would certainly be driven out.

¹ Henri Bonnet.

3. The strategic interests of Great Britain and the United States could not be provided for if these areas were made independent because it would be impossible to make the necessary arrangements with the Arabs. Furthermore, independence would result in chaos which would be harmful to the security of the Mediterranean area. Mr. Bonnet brought up and dismissed the argument that the return of the Italians would result in an Arab revolt by saying that the competent French experts on the subject did not believe disturbances would take place if the British turned over the administration to the Italians in an orderly fashion and in good faith. There might be some trouble in Cyrenaica but not in Tripolitania. He made it clear that the French felt much more strongly about the Italians having Tripolitania than Cyrenaica and the French line on this point seems to be that the Italians must have "at least" Tripolitania.

I speculated that if we returned Tripolitania and Cyrenaica to Italy and Mr. Togliatti² subsequently gained power in Italy, we would, in effect, have presented the Russians with control over a very important part of North Africa. Mr. Bonnet's reply was that the area would come under the general supervision of the Trusteeship Council and that all political moves involve some risk.

I explained that although we were interested in hearing the French views on this subject, we had not as yet reached a firm decision. The Ambassador said that his Government wanted to make its views known to us before we reached a final decision and offered to have experts of the Foreign Office meet with the appropriate officials of the State Department either in Paris or Washington as soon as we were in a position to carry on discussions.

² Palmiro Togliatti, Secretary General of the Communist Party of Italy.

865.014/7-1548 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET

LONDON, July 15, 1948—4 p. m.

3203. 1. I have now received the following informal communication from Bevin (reference Embtel 3098)¹ in extension of his views:

"You will recall that when you came to see me on Saturday morning you raised with me the question of the former Italian colonies and said that the United States Government were most anxious to avoid a meeting of the CFM in this connection, and I promised to let you have a note of my views on this as soon as possible.

"As I told you on Saturday, it has always been my understanding that the disposal of the former Italian colonies would have to be

¹ Not printed; it reported Bevin's preliminary views on the convening of the Council of Foreign Ministers (865.014/7-1048).

discussed by the four Foreign Ministers unless all four powers were agreed that no meeting need be held. There is no doubt that it was the intention when Annex XI of the Italian peace treaty was drafted that this meeting should take place, and the wording of paragraph four of the annex seems to us to leave no reasonable doubt that this is the meaning of the treaty.

"The possibility of all four powers agreeing that no meeting should be held seems remote. We can expect the Russians to press for a meeting. I feel that it would be a mistake on our part to refuse to take part in or evade such a meeting although it might reasonably be stipulated that in view of the delays which the deputies time-table has suffered, it cannot now be held until the beginning of September. Any discussions about the ex-Italian colonies would, of course, in any case have to be completed by the fifteenth of that month when the matter passes out of the hands of the Foreign Ministers and comes into the province of the General Assembly. If we were to try to get out of the meeting, it would land us in a procedural wrangle with the Soviets which I am anxious to avoid. Our ground would not be a strong one, and the Soviets would no doubt try to exploit our attitude in the subsequent discussions in the Assembly. They would allege that we were guilty of a breach of the peace treaty, and it might even give an opening for another power to justify breaking the treaty in some quite unrelated matter if they wished to do so.

"I would suggest that this question might be gone into further between the experts of our two governments who are meeting here in a week's time to discuss the former Italian colonies question."

2. It appears to me that, while the intent of paragraph four of Annex XI Italian peace treaty was that a meeting of the CFM should be held, the wording of the paragraph does not absolutely require it, especially if, as is likely, the deputies do not agree on recommendations.

3. However, the legal case can be argued both ways, and I presume that only if our objections on political grounds are strong enough, can Bevin be persuaded to change his views. The attitude of the French on this question may carry weight with him. There is already a minority school of thought in Foreign Office on our side and I am certain that Bevin will consider carefully anything more which we may have to say on this subject. Although I can imagine most of the objections, I should appreciate receiving a more detailed statement of the Department political objections to a CFM meeting so that I can discuss the matter further with Bevin.

4. While I agree this question can usefully be discussed by experts here next week it involves what is essentially a high level decision on political grounds and the best the experts can do will be to set forth the pros and cons upon which we ourselves, the British and the French will take a decision.

5. We have also talked with the French Embassy here and they were unaware of Chauvel's answer to Caffery (reference Paris telegram 3640).² They stated that their preparatory studies led them to believe that a CFM meeting for Itcol was legally necessary.

6. While political question may be paramount the legal considerations would also be helpful.

Sent Department 3203 ; repeated Paris 3811, Rome 156.

DOUGLAS

² Not printed ; in it Chauvel stated that he felt a CFM meeting would be inadvisable (865.014/7-748).

865.014/7-1348 : Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET

WASHINGTON, July 15, 1948—8 p. m.

2757. Dept concurs Wright's suggestion US-UK talks merge into US-UK-French talks beginning either Jul 23 or 26 in London (London's 3140).¹ It may be necessary thereafter to talk to French in Paris also in which case Palmer would proceed France for conversations Emb and Fonoff. Re London's 3206 ¹ would appreciate your attending meeting and you should in your discretion designate Utter and Jones or any other officers you wish to complete US team. We approve Wright's suggestion that at least earlier stages of talks should be limited to representatives Fonoff and Dept. We understand that minutes will not be kept. We are not sending reps Military or other Govt Depts.

Deptel 2198 ² contains full summary legal arguments (London's 3098)¹ re lack necessity personal meeting Foreign Ministers. This is one of subjects Palmer will discuss in London with both Brit and French. Re Paris' 3672 ³ it should be reemphasized to Chauvel that as pointed out Deptel 2169 [2619] to London (2526 Paris)¹ our objection to a CFM meeting on Italian Colonies is impossibility preventing Soviets from raising German question. If it subsequently became desirable hold CFM meeting on Germany and meeting were called for that purpose, we would have no objection to discussing Italian Colonies.

MARSHALL

¹ Not printed.

² Dated June 11, p. 914.

³ Not printed ; in it Caffery reported that Chauvel felt the U.S. legal arguments against the convening of the CFM were weak (865.014/7-1348).

865.014/7-1748 : Telegram

The United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Utter) to the Secretary of State

SECRET

LONDON, July 17, 1948—5 p. m.

3247. Itcol 142. Thirtieth meeting DepItcol held yesterday Sir Noel Charles RN [UK?] presiding, Zarubin Soviet, Massigli French and Utter US.

The agenda was restricted to discussion of the timetable of the deputies, and the differences in views were the same as that the previous meeting reported in Itcol 139.¹

It was agreed that hearings would be held from July 29–August 7 inclusive and the secretaries were instructed to draw up the timetable for hearings. Interested governments may present views in writing through August 7. No agreement could be reached on a date for the completion of the work of the deputies, which has been left open.

A Soviet draft letter and notes on procedure for the presentation of written and oral supplementary views were amended and approved for dispatch on July 17. No date was fixed for the next meeting.

The secretaries met this morning and agreed on the following schedule for hearings:

July 29 Netherlands 2030
 July 30 Italy 1030
 Ethiopia 1530
 Belgium 2030
 July 31 Egypt 1030
 Czechoslovakia 1530
 August 1 none
 August 2 China 1030
 Brazil 1530
 Canada 2030

August 3 Poland 1030
 India 1530
 Greece 2030
 August 4 South Africa 1030
 Byelorussia 1530
 August 5 Yugoslavia 1030
 Pakistan 1530
 August 6 Australia 1030
 Ukraine 1530
 August 7 New Zealand 1030

[UTTER]

Editorial Note

From July 19 to July 22 officials of the United States (George L. Jones, Joseph Palmer, John E. Utter) and the United Kingdom (Michael Wright, Sir Noel Charles, R.D.J. Scott Fox, George Clutton) met in London to discuss the Italian Colonies. At the first two sessions they considered Libya. The British developed the follow-

¹ Not printed; it reported that the Soviet Union wanted the hearings to begin July 15, the United States three weeks later, the United Kingdom proposed July 25, and France agreed to this compromise date (865.014/7-748).

ing position: Libya was a fundamental strategic factor in the Middle East; the British desired Libya's eventual independence; they strongly preferred a joint American-British responsibility over all Libya or an American trusteeship over Tripolitania and a British trusteeship over Cyrenaica; they could not support the return of Tripolitania to Italy, but would not oppose a French trusteeship over the Fezzan.

The United States declined participation in any trusteeship and felt the strategic necessities of the Middle East could be met by a British trusteeship in Cyrenaica. The American officials then proposed the return of Italian refugees to the colonies.

While the British saw advantages in a partition of Eritrea between the Sudan and Ethiopia and opposed returning it to Italy, they were uncertain whether such a gesture in Eritrea would make Italy more amenable to a British trusteeship in Libya. The American officials emphasized that the Department of State was still undecided on the disposition of Eritrea.

As to Italian Somaliland, both countries favored its return to Italy.

Finally the American and British representatives agreed to coordinate their tactics at the Council of Foreign Ministers for the Italian Colonies and at the United Nations and agreed that they were handicapped by the lack of final decisions on the disposition of the colonies in Washington and London.

Documentation on these meetings is in telegrams 3274, 3318, 3319, 3324, and 3341 from London, file 865.014/7-1948, 2148, 2248; none printed.

865.014/7-2348: Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET

LONDON, July 23, 1948—1 p. m.

2898. For info Ambassador and Palmer. Pres today approved NSC Report ¹ Itcol containing following conclusions:

"1. Position of US in any international negotiations on disposition Italian colonies should not be so rigid as deprive US of requisite flexibility in discussions. In general, policy US should be to favor following disposition Italian colonies, with appropriate safeguards for protection minority groups:

a. Libya. Carry out commitment support British in their efforts obtain trusteeship for *Cyrenaica*, and at same time support British trusteeship for *Tripolitania*. If British prefer, single trusteeship over whole of Libya would be acceptable.

Terms of trusteeship should specify that at end of ten years question of self-government for people of territory should be re-

¹ Not printed. The report under reference, NSC 19/1, had been adopted by the National Security Council on July 21, 1948.

viewed by Trusteeship Council; and in meanwhile Italian settlers might return to territory under appropriate safeguards and Italian technical personnel might be employed in development of territory.

b. Fezzan. Should be included in trusteeship for Tripolitania, but it should be kept in mind that French are in military occupation and it will be difficult prevail upon them evacuate area unless we can reach agreement with them regarding its future disposition. Area is not sufficiently important to risk major disagreement with French.

c. Eritrea. Final decision as to US position to be made after exploratory conversations with British.

d. Italian Somaliland. To be placed under Italian trusteeship, under terms which would provide for eventual self-government but which would not fix period of time within which area would become self-governing. If British should so propose, British Somaliland might be included in trust territory.

e. Border Rectifications. Such minor border rectifications as may appear reasonable and desirable should be supported by US.

2. In event it becomes apparent General Assembly will be unable adopt solutions set forth above, continuation of *status quo* in former Italian colonies would be acceptable to US."

Above subject provisions that (1) final decision on disposition Eritrea will not be effected prior review that decision by Joint Chiefs ² and (2) if proposal is made for US trusteeship of Tripolitania, such proposal will not be turned down without consultation between interested Executive Departments of US Government.

MARSHALL

² For the Joint Chiefs of Staff view on Eritrea see NSC 19/3, p. 933.

865.014/7-2348 : Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET

WASHINGTON, July 24, 1948—2 p. m.

2927. For Ambassador and Palmer. Even though we do not yet have benefit latest French views it is becoming increasingly apparent to us that solution which will meet Brit and US strategic requirements and at same time will attract enough support to secure approval GA would be postponement of final disposition of colonies for another year. This would necessitate French, Brit and US advocating such step and making no other proposals of their own which would entail discussion of such proposals and might lead to GA action unsatisfactory to US, Brit or French, if not to all three. In Deputies meeting we might say that because of lack of time properly to study complicated problem plus difficulty reconciling many viewpoints we suggest submitting

question to GA with recommendation that GA hold matter in abeyance until next regular session. This idea has appeal not only because of apparent difficulty reconciling Brit-American views (and most likely French views) but also because our UN experts firmly believe that (1) solutions which come closest to representing US-UK ideas stand slim chance acceptance in GA and (2) we can expect great difficulty blocking independence. Furthermore even if we succeeded in blocking it our efforts in that regard would give Soviets excellent propaganda material.

While we sympathize Brit desire for early definitive solution, difficulties at this time are beginning to seem insurmountable and we urge them give serious consideration to postponement (urtels 3355, 3341, 3324.)¹

It might be better to get French views on Italian colonies before broaching to them idea of postponement as definite tripartite policy but Emb London should take this up soonest with FonOff repeating Brit reaction to Paris.

Bevin's thought (reurtel 3319 para 4)² that a CFM, in which he might be represented by Minister of State, is probably necessary and could take place shortly before GA meeting Paris is not clear to us. We see little difference between such proposal and present Deputies since Minister of State would in fact be deputizing for FornMin. Furthermore appointment of another set of Deputies might lead to Soviet demands to extend agenda of meeting and we still believe issue of CFM meeting should not be decided on Italian colony question.

MARSHALL

¹ None printed.

² Not printed.

865.014/7-2448 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

TOP SECRET

PARIS, July 24, 1948.

3870. From Palmer and Utter. US-French talks on Itcol took place today with Couve de Murville, Bonneau, Leroy, Bérard and Burin¹ for France and Palmer and Utter for US.

French presented same views on future of territories as previously communicated in Washington. Briefly summarized, these are: (1) Italian trusteeship for Somaliland and Eritrea, with provision for

¹ Maurice Couve de Murville, Director-General of Political Affairs, French Foreign Ministry; Gabril Bonneau, Director, Division of African and Levant Affairs; Jean Leroy, Second Counselor, French Embassy in London, Albert Joseph André Bérard, Administrator, French Foreign Ministry; Etienne Burin des Roziers, Head of the French Delegation on the Field Investigation Commission.

access to sea for Ethiopia in latter territory; and (2) Italian trusteeship for all of Libya. In all cases, trusteeship would be for indefinite period.

Most of discussion centered on Libya and we pointed out importance which we attach to British having strategic facilities in Cyrenaica. It soon developed that French not adamant in their views re Italian trusteeship for all Libya and that they will probably support British trusteeship for Cyrenaica. They stated that they shared our views regarding necessity of British retaining bases in Mediterranean. They added, however, that if it were decided to partition Libya, they would have to insist on retaining Fezzan. They appear determined, however, to support Italian trusteeship over Tripolitania for following reasons: (1) Fear of effect in Italy of loss of most important former colony; (2) fear that British control of Tripolitania would result in severe impairment of Anglo-Italian relations; and (3) desire to assure that Libya would develop as an Arab-European community tied to the West like French North Africa, rather than as an Arab country oriented towards the East. We stressed our fears regarding repercussions in Cyrenaica and French North Africa of return of Italians to Tripolitania with consequent bloodshed and general unrest. French admit that this is definite possibility but do not feel that effects might be as far reaching as British and US believe. In any event, they feel long-term effects in their own territories will be less if Italians in control Tripolitania than a British administration which would increase pace toward independence. French figure that with between one and two divisions Italy would not experience any difficulty in re-establishing itself in Tripolitania, provided British made every effort to effect transfer as smoothly as possible. They think only "a small handful" would be required in Somaliland and Eritrea. We felt that although British estimates may reflect pessimism, French estimates seemed over-optimistic and that even in East African territories Italians might well find considerable unrest.

French also raised question of US base at Mellaha. We informed them that we are vitally interested in maintaining facilities there through some kind of arrangement. French indicated that they appreciated importance which we attach to this base and that they are anxious for us to remain there.

At end of meeting, French asked us for our views on Fezzan. We stated we were still studying this question and that since we had never heard formal French views, they would be helpful to us in our consideration of problem. French repeated former statement that if Brit-

ish got Cyrenaica, they would insist on retaining Fezzan. When pressed as to positive advantage of Fezzan to France, they cited its importance with regard to air communications with Madagascar and as a focal point for caravan routes leading into French West and Equatorial Africa. Retention of Fezzan would facilitate control of smuggling activities into those territories. They stated there was no evidence of oil in territory and that reports to contrary had originated with a geologist who had never been there.

On question of Eritrea, French would be willing cede Danakil to Ethiopia, probably drawing line at Gulf of Zula. They had also considered possibility of ceding part of Coptic Highlands to Ethiopia but had given that idea up because of difficulty of drawing a practical new boundary. We presented our alternatives on Eritrea and emphasized we had not yet made up our minds. French presented no valid arguments in refutation of Ethiopian case and made it apparent their sponsorship of Italian trusteeship was solely to gain good will in Italy.

First session joint US-UK-French talks will be twenty-sixth.

Sent Department 3870, repeated London 697. [Palmer and Utter.]

CAFFERY

Editorial Note

The United States-United Kingdom talks merged into tripartite conversations with France which occurred sporadically from July 26 to September 4, 1948, in a fruitless attempt to find a concerted policy on the disposition of the Italian Colonies. All three Governments agreed that Italian Somaliland should be returned to Italy, but agreement ended there. France also wanted to return Eritrea, after ceding to Ethiopia a small outlet to the sea. Both the United States and the United Kingdom opposed the return of any part of Eritrea to Italy and advocated the cession of a larger area to Ethiopia.

For Libya, France proposed an Italian trusteeship over Tripolitania, a French trusteeship over the Fezzan, and a British trusteeship over Cyrenaica. The United States and United Kingdom officials agreed to the trusteeships for the Fezzan and Cyrenaica, but could not support the return of Tripolitania to Italy.

Because of the lack of agreement on Eritrea and Tripolitania the talks ended without formulating a tripartite policy.

Documentation on these meetings is found in telegrams 3886 and 3904 from Paris and 3574, 3716, 3951, and 3974 from London, file 865.014/7-2648, 7-2748, 8-748, 8-1648, 9-248, and 9-448, none printed.

865.014/7-2848 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET

LONDON, July 28, 1948—7 p. m.

3430. From the Ambassador, Palmer, Utter. It is more apparent than ever after our talks with French and British that we have reached impasse with regard Tripolitania. From their preliminary reactions, moreover, we cannot see any good prospect of selling either British or French on postponement, although we put forward every argument of which we could think in support of that proposal. After hearing British and French objections, we agree that postponement is undesirable. Although situation in Arab world is admittedly not conducive to obtaining support from that quarter, we feel that present international situation in general will secure support from other countries for UK and US strategic aims which might not be forthcoming a year hence.

In foregoing circumstance, we can see only one possible way out of present deadlock. If, as is apparent from Deptel 2898 to London ¹ US Government feels its security requirements in Tripolitania can only be met by British or US trusteeship, we should make up our minds immediately as to which of these alternatives we will work for and reject the other. If our decision is that we are prepared accept and press for US trusteeship, we shall have removed any outstanding difference with British and might even be able persuade French to acquiesce. If, on other hand, our decision is not to accept US trusteeship, we should inform British categorically to that effect at once, since it is apparent we shall never be able persuade British accept trusteeship themselves so long as we are potential candidate. In this connection it has undoubtedly occurred to Department that although financial and military burdens are undoubtedly important factors in British reluctance to assume this responsibility, fundamental British desire may well be to see US assume more positive role in Mediterranean with its reassuring effect on western European and Mediterranean countries. From indications which British have given us, we are convinced this is controlling factor. It is our opinion that British probably fear possibility US withdrawal from Mediterranean as much as or more than we fear possibility British withdrawal. In these circumstances, it is obvious that British will continue make every effort to tie US to Mediterranean by endeavoring persuade US accept a territorial responsibility.

On other hand there would seem to be possibility that if faced with

¹ Dated July 23, p. 923.

clear-cut choice between British and Italian trusteeship, British could hardly refuse accept former, albeit reluctantly. We feel this is particularly true in view of attitude British chiefs of staff and Colonial Office, both of which are understood to be strongly opposed return of Italian rule. The chiefs of staff hold tenaciously to view that Mediterranean is essential to security of UK. In view British reluctance, however, we should be prepared assure British that we would propose them in Deputies and GA and that we would make every effort obtain necessary support among third states.

With regard French attitude, it is likewise apparent that French will not retreat from their present position so long as any possibility exists of our supporting Italian trusteeship. We feel there is at least a chance that if we informed French that we had excluded from our thinking any possibility Italian trusteeship and had made up our minds that solution must from a security point of view be US or British trusteeship (depending on our decision), they might be persuaded to acquiesce. Our hand would of course be immeasurably strengthened in persuading French if we indicated that in event we are unable marshal sufficient support for US or British trusteeship we might, as last resort, find it necessary support independence with treaty relationship. For their part, either US or UK, as case may be, would have to give French some reasonable assurance that its administration of country would continue for a more or less extended period of time (such as our ten year proposal) and that it would not grant Tripolitania independence before that date. It is recognized that we may have difficulty in selling British on such a time limit. Finally, we could use question of Fezzan as bargaining point.

We therefore urge immediate decision as to whether US prepared accept trusteeship over Tripolitania as urged by British. If decision is favorable, there will of course be no differences between US and UK. If decision is negative, we believe that British may accept trusteeship to keep out Italians and maintain Anglo-American position in Mediterranean. In order to persuade French re either alternative we must be in position inform them that US finds it impossible support Italian trusteeship. We feel that any further discussions with British and French on present level will probably be unproductive, since we cannot always be sure that US point of view will be effectively presented to Foreign Ministers.

Therefore, in case decisions on above lines reached, I suggest I discuss matter directly with Bevin and that Mr. Caffery hold similar conversations with Schuman.²

This has been discussed in general with Mr. Caffery who concurred.

² Robert Schuman, French Foreign Minister.

Sent Department 3430, repeated Paris 428. [Ambassador, Palmer, and Utter.]

DOUGLAS

865.014/7-3148 : Telegram

The Chargé in Italy (Byington) to the Secretary of State

TOP SECRET

ROME, July 31, 1948—2 p. m.

3242. For the Secretary and Under Secretary. Prime Minister today sent word to me of his concern over question of former Italian Colonies (Embtel 2798, June 28). He requested that I transmit following views as coming directly from him for your consideration.

1. It is of greatest importance to Italy that there should be a partial settlement in her favor now involving at least a portion of former colonies. If Four Power agreement not reached on balance decision as to other areas would of course have to be deferred (see my 3241, July 31).¹

2. Prime Minister wished to make it clear that he felt our interests regarding defense in Mediterranean converged with those of Italy and that he was sure any question of bases could be satisfactorily worked out. He wanted it clearly understood that he was fully disposed to give utmost consideration to US defensive requirements on areas involved.

3. If question of Communist infiltration into former Italian Colonies should they be entrusted to Italy were a factor De Gasperi felt he could safely dispel any such fear. Italian Communist strength was in large industrial centers and peasants and artisans who would be sent to colonies by Italy would not be drawn from Communist centers in Italy. Italian Government in any event would be able to control that problem.

4. Finally Prime Minister wished to emphasize great weight which solution problem former Italian Colonies bears on internal situation in Italy. Unfavorable attitude by US in face of Soviet position favorable to Italy would be a formidable weapon in hands of Italian Communists. General rehearsal of Communist strength and organization which took place over Togliatti shooting² was an indication of what they could do should they determine on violence. Government had met test successfully and would in his opinion be able to meet test again when it should next come up. Government would be severely handicapped, however, if Communists were able to pose as national champions during severe repercussions which would follow an unfavorable decision for Italy on colonial question.

Prime Minister's message which was delivered orally concluded with an expression that De Gasperi's anxiety in this matter was so great that he felt it urgent that these views should be transmitted to you without waiting for Ambassador Dunn's return.

BYINGTON

¹ Not printed.

² On July 14, Antonio Pollante, a student, attempted to assassinate Palmiro Togliatti outside the Chamber of Deputies in Rome.

865.014/8-348 : Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET

WASHINGTON, August 3, 1948—11 a. m.

3048. 1. Now that exploratory talks with Brit and French are concluded and we have good estimate their thinking we agree with you that it is time for you and Amb Caffery to take up matter directly with Bevin and Schuman.

2. To date discussions have centered almost exclusively on those solutions which each of three powers consider preferable and have not taken sufficiently into account political realities with which we will have to deal in General Assembly and which will be deciding factors on what solutions are possible regardless of preference. We are now firmly convinced that only action on part of US Brit and French Govts which will meet our basic interests in area is to advocate postponement of final decision on all of Libya and not to discuss any other solution. This cannot be emphasized too strongly to Bevin and Schuman.

3. As regards Tripolitania you should tell Bevin that we do not consider US trusteeship politically practicable or desirable from either domestic or international point of view and would be unable to accept it were it proposed. Consequently we are opposed to Brit or anyone else proposing American trusteeship in Deputies' or this year's General Assembly. You and Amb Caffery may add that we will not support Italian trusteeship for Tripolitania, that we do not believe Italian trusteeship has any chance of acceptance with or without our support and that, therefore, French proposal in Deputies or Assembly would succeed only in making matters more difficult for US and UK. If French, however, go along with us on postponement as only proposal to be advanced all three Powers, they will not have to take stand against Italy and, as suggested below, we can do something for Italy in Italian Somaliland.

4. On Cyrenaica we remain committed to support a solution which will enable Brit to establish requisite bases in that area. We are in full agreement with Brit Govt that ideal means of ensuring their strategic interests, and ours, would be Brit trusteeship. We sincerely believe, however, that Brit trusteeship for Cyrenaica has little if any chance of approval in forthcoming General Assembly. Regardless of apparent world-wide awareness of seriousness of east-west conflict, we are convinced that enough states in Latin America, Middle East, Eastern Europe, and elsewhere will react against what they will consider Brit colonialism sufficiently violently not only to make Brit trusteeship impossible but even to such extent that we have no great confidence we can block independence. In fact we anticipate that drive for independence will be so strong as to make our own position highly uncomfor-

table at least to point where it will be difficult for us to persuade any considerable number Latin American states to vote against independence, much less for Britain. This situation will be made considerably easier, however, if only Anglo-American-French proposal is postponement because then we can vote against other solutions on basis that postponement has merits per se rather than voting against them on bare issue of independence, Italian trusteeship, etc.

5. If, in spite of this considered view, Brit insist (and you may put it to Mr. Bevin exactly this way) that we support Brit trusteeship as the solution for Cyrenaica, we will of course do so; but we want them to understand that we do not consider such procedure best way of gaining what we both want. Only Brit argument against postponement to which we give any real weight is that until "their title is clear" Brit military cannot begin work on base in Cyrenaica or arrange reduction Brit forces Egypt to treaty strength. As we have all along, we still consider Brit trusteeship ideal solution but our point is that it cannot be attained this year and that therefore more harm than good will result from trying to attain it. We not only believe that they can and should, despite obvious difficulties, go ahead with their base plans for Cyrenaica without a clear title, but we most strongly urge them to do so.

6. As far as cutting down Brit military and financial commitments is concerned, it should certainly be most helpful to HMG to settle question of Italian Somaliland and Eritrea this year. We would prefer, however, that disposition these two colonies be decided concurrently. We agree that Italian Somaliland might be placed under Italian Administration but we will not advocate replacing Italy on two of Ethiopia's borders. Brit should therefore again be urged agree cession of northern, and predominantly Moslem, portion of Eritrea to Sudan with remainder, including Asmara and access to sea through Massawa, being ceded to Ethiopia.

7. Amb Caffery may add to Schuman that recent conversation between Under Secretary and Italian Amb¹ indicates Italian Govt is presently expecting receive no more than Italian Somaliland and in fact Italian Amb personally suggested postponement of all but Somaliland.

MARSHALL

¹ The conversation took place July 26, in Washington.

S/P-NSC Files,¹ Lot 62 D 1, NSC 19 Series

*Memorandum by the Joint Chiefs of Staff to the Secretary of
Defense (Forrestal)*

TOP SECRET
NSC 19/3

WASHINGTON, August 5, 1948.

In accordance with the memorandum from your office dated 4 August 1948,² the Joint Chiefs of Staff have considered the report entitled "Disposition of the Former Italian Colonies in Africa", NSC 19/2,³ dated 4 August 1948, and have determined the requirements of the United States with regard to the former Italian colonies.

In the formulation of this statement of strategic requirements, the Joint Chiefs of Staff found it necessary to appraise the position and security interests of the United States, not only with respect to the former Italian colonies, but also of the entire area of the Middle East and the Eastern Mediterranean. Their appraisal of the United States security interests in the entire area indicates the following strategic requirements:

- a. Denial to any potentially hostile power of any foothold in this area.
- b. Maintenance of friendly relationships which can be promoted by social and economic assistance, together with such military assistance as may be practicable, to insure collaboration by the indigenous peoples in the common defense of the area.
- c. Development of the oil resources in this area by the United States and such other countries as have and can be expected to have a friendly attitude toward the United States.
- d. Assurance of the right of military forces of the United States to enter militarily essential areas upon a threat of war.
- e. Assurance of the right to develop and maintain those facilities which are required to implement d above.

The above requirements take into consideration our over-all requirements within the framework of our global strategy. Moreover, these requirements have not been determined from the standpoint of United States security interests alone but also include consideration of the security interests of our potential allies, particularly Great Britain.

¹ Serial and subject master file of National Security Council documents and correspondence for the years 1948-1961, as maintained by the Policy Planning Staff.

² Not printed.

³ Not printed; it contained a summary of the British position on Eritrea.

The Joint Chiefs of Staff would emphasize that the interests of the United States and Great Britain in this entire area are so interrelated that they must be considered as a whole.

In accordance with the strategic requirements listed above and in consonance with current planning, operational availability of the following bases in the former Italian colonies under "joint"* or "participating"† rights is essential:

- a. Tripoli, Libya, as an air base facility,
- b. Asmara, Eritrea, as a telecommunications base facility, and
- c. In the event of an emergency, Massawa, Eritrea as an air and naval base facility.

As to the nature of the rights in Eritrea, the Joint Chiefs of Staff would state categorically that the benefits now resulting from operation of our telecommunications center at Asmara—benefits common and of high military importance to both the United States and Great Britain—can be obtained from no other location in the entire Middle East—Eastern Mediterranean area. Therefore, United States rights in Eritrea should not be compromised.

In view of the fact that this statement of strategic requirements of the United States has been prepared for guidance to the Department of State in negotiations now in progress, the Joint Chiefs of Staff renew their request that they be given opportunity to review the decisions reached in these negotiations before they are finalized.

For the Joint Chiefs of Staff:

WILLIAM D. LEAHY

Fleet Admiral, U.S. Navy,

Chief of Staff to the

Commander in Chief of the Armed Forces

*"Joint" right is the right to use for military purposes, in common with the nation exercising sovereignty, mandate or trusteeship, an area, installation, or facility, and to debar any other nation from such use unless it is mutually agreed between the United States and the nation exercising sovereignty, mandate or trusteeship, that another nation or nations may share use. [Footnote in the source text.]

†"Participating" right is the right to share, on the most favored nation principle, with the nation exercising sovereignty, mandate or trusteeship, and with any other nation which that nation may accord the right to participate, in the use for military purposes of an area, installation, or facility. [Footnote in the source text.]

865.014/8-648 : Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET

US URGENT

WASHINGTON, August 6, 1948—11 p. m.

NIACT

3126. Following are instructions for use US Deputy in Deputies meeting on Itcol Aug 9. US Deputy should bear in mind that we are anxious to settle any specific item on which possibility of agreement

among Deputies exists. However, we realize chance of agreement on all Italian colonies is slight and that some part of problem at least will go to GA. We do not wish to take negative attitude in Deputies meeting through failure to make any suggestions, hence these instructions cover those points at which we are prepared to seek agreement now. Following instructions represent views which U.S. Deputy should support in Deputies. However, if Deputies are unable to agree, you should make no commitments in Deputies meeting about attitude US might take later in GA, since GA situation might necessitate some modification our position.

1. *Somaliland*—US Deputy should propose territory be placed under Italian trusteeship.

2. *Eritrea*—US Deputy should support, or, if necessary, propose whichever of following solutions is more acceptable to British. They are listed in order of US preference :

(a) Partition, with northern and predominantly Moslem portion (including Asmara and Massawa) under British trusteeship and remainder ceded to Ethiopia, exact boundary to be agreed by British and Ethiopians.

(b) Postponement of decision regarding northern and predominantly Moslem portion (including Asmara and Massawa), with southern section ceded to Ethiopia. Postponement would be advocated on grounds inherent difficulty of problem, divergence of views among countries participating in Commission of Investigation and among governments who have presented views to Deputies. At proper time divergence of views among Deputies could be cited to show need for further study and negotiation. Suggestion would be that matter be referred to GA with recommendation that GA study matter further before attempting arrive definitive solution.

You should discuss foregoing alternatives with British before Deputies meeting and explain that our desire to retain Asmara and Massawa in British territory is occasioned by strong interest armed forces in radio facilities Asmara. US Joint Chiefs state British share benefits these facilities.

You should not support Bevin's trusteeship proposal for Eritrea because of following considerations :

(a) It is manifestly inconsistent to propose that Ethiopia is qualified to assume responsibility as trustee over Eritreans and at same time make it clear that we do not consider it so qualified by suggesting an "advisory council" to insure that Ethiopia lives up to its commitment and responsibility. No existing trusteeship agreement contains any such provision. Responsibilities of governments members of "advisory council" would be difficult to define and would appear to involve responsibility without authority. Further, Ethiopia's membership in Trusteeship Council might upset balance between present administering and non-administering powers because of Ethiopia's sympathy for so-called "colonial peoples".

(b) Difficulties in Bevin's proposal would be underlined if such an

arrangement were made for Ethiopia's trusteeship over Eritrea and not for Italy's trusteeship over Somaliland.

3. *Libya*—If possible, U.S. Deputy should allow French and USSR to state their views on Libya, after which he will state that US has always been in favor of trusteeship for Libya leading as soon as practicable to independence as contemplated by the Charter. In case of Cyrenaica, US is inclined to believe British would be most suitable administering authority, particularly in light of British pledge to Senussi. Tripolitania and Fezzan, however, present very much more complicated problems. In view of divergence of attitudes which have arisen in consideration of problem thus far, US considers that question of disposition of Tripolitania and Fezzan must be given further study, and Deputies should recommend such study when placing matter before GA. Same general reasons as are found in para 2 (b), above, apply. If, after having taken this position, disagreement develops with regard to Cyrenaica, Dept's present thought is that you would be instructed to support postponement for all of Libya. You should assure British privately that we intend to support their position on Cyrenaica during GA phase of problem.

You should previously inform British that, in event settlement future Libya postponed, US is willing to support such change in status administration Libya as is necessary for UK to set up civil administration in which local inhabitants would be given chance to play part.

Dept has no objection to UK-US-French discussions at any time prior to Aug. 9.

In view important nature Deputies discussions and vital US strategic and political status involved, it is hoped that Douglas will be able attend Deputies meetings personally, particularly if Massigli does so.

Please keep Dept closely informed of Itcol discussions since it is contemplated that additional instructions will probably be required during early stages of negotiations.

MARSHALL

865.014/8-648 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET

US URGENT

LONDON, August 6, 1948—midnight.

3568. See Embtel 3550, August 5.¹ Bevin called me to Foreign Office this afternoon to inform me of Cabinet decisions regarding Itcol.

¹ Not printed.

Clutton,² Scott-Fox and Charles UK, and Utter and Bagby³ US were also present.

Bevin said Cabinet had approved his proposal place Somaliland under Italian trusteeship but War and Colonial Secretaries⁴ were strongly opposed return of Italy to Eritrea, feeling that Somaliland was as much as Italy could undertake or should expect. Colonial Secretary especially feared repercussions in British African colonies if Italians returned with British military assistance. Bevin's scheme for Ethiopian trusteeship over Eritrea was therefore approved with addition South America[n] to the Legislative Council. After 10 or 20 years, trusteeship would terminate and territory would become a part of Ethiopia.

As far as Libya is concerned, Bevin said that UK would like to get Cyrenaica settled this year but would be willing to have Tripolitania postponed. Conversations between British Ambassador in Rome⁵ and De Gasperi and Sforza led him to believe Italy accepted fact that British would stay in Cyrenaica. He said that Foreign Office study indicated British trusteeship for Cyrenaica would receive UNGA approval. He was most anxious to start work on bases in Cyrenaica without delay since internal Egyptian political situation was unstable and British bases in Egypt might be jeopardized by formation government under Soviet influence. He felt obliged to reduce troops in Egypt to treaty level by end of 1948 since Egypt might well bring complaint to Security Council again. I assured him US felt that UK should go ahead with construction bases in Cyrenaica whatever developed in CFM or UNGA, and he agreed risk must be taken if British trusteeship not approved.

Conversation then turned to procedure in DepItcol. Bevin felt discussions should begin with Somaliland. After other powers had stated their positions and if all three favored Italian trusteeship, UK would agree for sake of unanimity. Bevin was anxious, however, to get all questions re Itcol out of hands of Four Powers and would make the agreement on Somaliland subject to agreement on Eritrea.

After Somaliland he felt Eritrea should be discussed. Russians and French would presumably come out for Italian trusteeship with Assab going to Ethiopia. UK would oppose this solution because of wishes of inhabitants and military difficulties involved in Italy's return and would propose Ethiopian trusteeship. Agreement presumably would

² George Lisle Clutton, Head of the Egyptian Department of the Foreign Office.

³ Philip Bagby, Advisor to Ambassador Douglas and member of the U.S. delegation on the Field Investigation Commission.

⁴ Emanuel Shinwell, Secretary of State for War; Arthur Creech Jones, Colonial Secretary.

⁵ Sir Victor Alexander Mallet.

not be reached and both Eritrea and Somaliland would be referred to UNGA.

I reiterated that US was anxious to have whole question of Libya postponed both in Deputies and UNGA. Bevin at first said that while he had no objection to postponement of Tripolitania he did wish to stake claim to Cyrenaica in DepItcol. He expected negotiations to break down, of course. Later he said that he had no objection to postponement of whole Libya question in DepItcol but did not make clear whether he would expect to bring up British claim to Cyrenaica in UNGA this year. (Subsequent conversation with Foreign Office officials, however, indicated that this last remark did not constitute a commitment and British may revert to original intention of proposing British trusteeship for Cyrenaica in DepItcol).

We find procedure as regards Eritrea and Somaliland satisfactory and will agree to it unless instructed to the contrary. As far as Libya is concerned, we are still awaiting Paris report of reaction French re postponement. If French agree British may also be persuaded to agree. We see no harm, however, in letting British put forward their claim to Cyrenaica in DepItcol and supporting it in first instance. We believe that in case of both Tripolitania and Cyrenaica it would be difficult and awkward to recommend postponement for one year in DepItcol.

It would be better simply to state that in view of conflicting opinions we do not believe question can be settled in CFM and prefer not to discuss it and let it go to UNGA by default. Proposal to postpone for one year could then be made in UNGA.

No interested governments other than Italy and Ethiopia have requested hearing. Next meeting DepItcol August 9, 3:30 p. m.

Sent Department 3568, repeated Paris 458.

DOUGLAS

865.014/8-948 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET US URGENT
NIACT

LONDON, August 9, 1948—3 p. m.

3583. British informed us Bevin insists on his plan for Ethiopian trusteeship of Eritrea being proposed DepItcol because he considers it best solution and because it has been agreed by Cabinet.

US alternative solutions proposed in Deptel 3126, August 6 do not meet with Bevin's approval because (1) UK does not wish trusteeship of any part of Eritrea and (2) postponement disposition northern and predominantly Moslem portion Eritrea would mean

continuation of financial and military burden for British in that territory.

British state they have no objection to our proposing our alternative B. Would appreciate receiving Department's instructions immediately as to whether we should propose alternative B despite French reaction.

French suggested that all Four Powers might be in agreement that Assab and Danakil coast should be ceded to Ethiopia and therefore it might be possible to cede this area at once, even though disagreement continue on remainder Eritrea. Would Department favor our supporting such proposal? It would have advantage of mitigating effect on Ethiopia of decision on Somaliland favorable to Italy.

DOUGLAS

865.014/8-1048 : Telegram

The United States Deputy for the Former Italian Colonies of the Council of Foreign Ministers (Douglas) to the Secretary of State

SECRET

LONDON, August 10, 1948—9 p. m.

3617. Itcol 151. Thirty-fourth meeting DepItcol held today with Douglas presiding and other principals as yesterday.

Soviet deputy¹ stated that with regard secrecy of press during discussion disposition colonies, he still had matter under consideration and was not prepared discuss it further for present (Itcol 148).² However, it was agreed that, until Soviet deputy ready state final position, a rule of secrecy regarding discussions Eritrea would prevail.

French opened with long statement pointing out strength of both Italian and Ethiopian claims but made no proposal. Following is order proposals made re disposition Eritrea.

(a) British proposed Ethiopian trusteeship for all of territory with advisory council, as reported Embtels 3550, 3568,³ except that So. American adviser was omitted. British plan was not further elucidated during meeting.

(b) Soviet deputy reiterated position his government that Eritrea be placed under Italian trusteeship for definite and reasonable period time. He made preposterous statement that 500,000 Eritreans asked for Italy.

(c) I made proposal B Deptel 3126.⁴ When questioned by French I explained that US proposed that new frontier would roughly follow northern border Serai and Akkele Guzai divisions to a point on Gulf of Zula and include Danakil Coast to French Somaliland border.

(d) After discussion of unimportant details, French proposed cession to Ethiopia of Danakil Coast from Gulf of Zula (as suggested

¹ Georgiy Nikolaevich Zarubin.

² Not printed.

³ Telegram 3550, not printed; telegram 3568, p. 936.

⁴ Dated August 6, p. 934.

by us) to French Somaliland frontier, which would include port of Assab, with remainder territory to be placed under Italian trusteeship.

Eritrea discussions will be resumed at afternoon session tomorrow.

DOUGLAS

865.014/8-1348 : Telegram

The Secretary of State to the Embassy in Italy

SECRET

US URGENT

WASHINGTON, August 13, 1948—11 a. m.

NIACT

2123. On Aug 13 pls send word to Prime Minister along following lines and at same time inform Sforza :

We have given most thoughtful consideration to several communications from Prime Minister and FonMin re disposition former Ital colonies. We appreciate importance which Ital people attach to this question, as well as broader implications re European cooperation which Ital Govt has stressed.

It is self evident disposition these territories has not been easy matter. As far as Ital position is concerned, consideration has had to be given to additional burden which these deficit areas would impose upon already strained Ital economy if trusteeship awarded Italy, as well as any possible economic benefits which might result from additional outlets for Ital surplus population. In addition, examination question whether Ital military forces as limited by peace treaty¹ are sufficient for maintenance public order in former colonies has been rendered serious by fact Soviet veto of Ital membership in UN has barred any possibility of simple solution through Security Council action shd it develop additional forces were required.

Conflicting views of other interested govts have also had to be taken into account. Finally, wishes and welfare of local inhabitants these areas had to be given equitable regard in consonance with well established principles of this Govt.

In circumstances, this Govt has decided it is prepared at this stage to take a final decision only as regards Italian Somaliland and the southern portion of Eritrea. As regards Northern Eritrea and Tripolitania, US is reluctant to take definite position owing to more complex factors involved, but has concluded decision shd be postponed to permit further study by appropriate UN body. Pending results this further study, US would not wish preclude any settlement which may

¹ Article 61 of the Italian Peace Treaty limited the Italian Army to 185,000 combat troops, a force which the United States felt was too small to maintain public order at home and in the colonies.

find general support. Re Cyrenaica, US feels it is bound respect Brit Govt's pledge to Senussi, and to support Brit Govt in giving effect this promise. This Govt feels confident Ital Govt will understand US position this matter.

As regards southern Eritrea, US will support cession to Ethiopia, and feels equally confident this solution will meet with approval Ital Govt. For Ital Somaliland, US will support Ital Trusteeship, feeling in light present situation there return of Ital administration can be achieved without overriding difficulty or opposition, and that such return will afford Ital Govt opportunity to demonstrate to world opinion its willingness and capacity to bring about progress and development for mutual benefit native and Ital peoples. Furthermore, US will urge that former Ital residents northern Eritrea and Tripolitania be allowed return their homes during period postponement disposition these areas. It is recognized that otherwise postponement will work further hardship these people, who have thus far been unable plan for future, and that it is only equitable and just they be allowed return to settlement upon which they have expended their labor and resources.

Prime Minister may be assured this Govt will continue give most careful and sympathetic consideration Ital views this matter, faithful to policy of friendly collaboration Amer and Ital peoples which we have consistently pursued in this post-war era.

MARSHALL

865.014/8-1848 : Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET US URGENT WASHINGTON, August 19, 1948—7 p. m.

3303. Further replies urtels 3715 Aug 16 and 3753 Aug 18¹ and instructions on related matters follow :

1. With respect to Eritrea US Deputy should continue support postponement decision on northern Eritrea and cession southern Eritrea to Ethiopia. French proposal cede only Danakil Coast to Ethiopia should not be accepted since it would give Ethiopia only least desirable desert coast lands and leave large Ethiopian population outside that country. US Deputy should urge French privately to accept partition boundary proposed by US (Deptel 3169 Aug 10)² as basis on which Deputies might agree cede southern part Eritrea to Ethiopia and postpone decision on Northern part. You may inform Brit privately that

¹ Neither printed.

² Not printed; the partition boundary in the U.S. proposal ran from the Gulf of Zula to the northern borders of Achele Guzai and Serai provinces and then to the Ethiopian frontier (865.014/8-1048).

US can make no further commitments (urtel 3716 Aug 16)³ at this time with regard to position it may take on Eritrea in future.

2. You should continue support Brit trusteeship Cyrenaica and postponement rest of Libya (Embtels 3743³ and 3753 Aug 18). In view apparently wavering French views on Libya we see no advantage supporting at this time their claim Fezzan for which in any event they do not seem able to make strong case. Obviously question of Libya will be referred to GA and possibility exists French may then consider they must support Brit for Cyrenaica even without Fezzan as *quid pro quo*. If it turns out such is not case we can always switch later to support French claim. You might ask Massigli whether French would insist on Fezzan if final disposition Tripolitania were to be Italian trusteeship. If reply negative you should point out that postponement Tripolitania and Fezzan does not preclude decision favorable to France if disposition Tripolitania is other than Italian trusteeship.

3. It might be advisable exchange views with Brit on above. Also ask what they envisage as fate Tripolitania in view (1) their opposition Italian and multi power trusteeship (2) US refusal accept trusteeship (3) their statement 40th meeting DepItcol that "Brit have no territorial claim on Tripolitania". Does this statement mean Brit would no longer consider trusteeship over united Libya if circumstances made it possible?

MARSHALL

³ Not printed.

865.014/9-148

Recommendations by the Deputies of the Foreign Ministers for the Former Italian Colonies of the Council of Foreign Ministers

SECRET

LONDON, August 31, 1948.

I. In accordance with Article 23 of the Peace Treaty with Italy and Annex XI (the Joint Declaration of the Governments of the Soviet Union, the United Kingdom, the United States of America, and France in regard to the Italian territorial possessions in Africa) the Deputies of the Foreign Ministers, on instructions from the Council of Foreign Ministers, during the past year:

(a) have continued to consider the question of the disposal of the former Italian Colonies:

(b) have sent a Four Power Commission of Investigation to Eritrea, Italian Somaliland and Libya in order to collect the necessary data on these Colonies and to ascertain the views of the local population:

(c) have studied the three reports on the results of the investigation of Eritrea, Italian Somaliland and Libya submitted by the Four Power Commission to the Deputies and have distributed them to all the other

interested Governments as well as to the Governments of Egypt and Italy;

(d) have studied the views of the other interested Governments as well as those of the Governments of Egypt and Italy on the disposal of the former Italian Colonies which were presented orally or in written form to the Deputies. Views were expressed by the following Governments in addition to Egypt and Italy: China, Australia, Belgium, Byelorussia, Brazil, Canada, Czechoslovakia, Ethiopia, Greece, India, the Netherlands, New Zealand, Poland, the Ukraine, the Union of South Africa, Yugoslavia, and Pakistan.

II. As a result of this work the Deputies decided to submit to the Council of Foreign Ministers of the U.S.S.R., the U.K., the U.S.A. and France the following recommendations:

A. ITALIAN SOMALILAND

That the former Italian Colony of Italian Somaliland to be placed under the trusteeship

U.S.S.R.

[of Italy] ¹

U.K.
U.S.A.
France

[system of the United Nations with Italy as the administering authority] *

[The U.K., U.S. and French Deputies recommend that the duration of Italian trusteeship should be undefined.]

[The Deputy of the U.S.S.R. recommends that the Italian trusteeship should be fixed for a definite and acceptable term.]

U.S.S.R.

[All the former Italian colonies in Africa, namely Libya, Eritrea and Italian Somaliland, to be placed under the trusteeship of Italy within those frontiers which existed on the 1st January, 1934, fixed in accordance with treaties and agreements in force at that time concluded between the interested Governments concerned.]

U.S.
U.K.
France

[*Ethiopian-Italian Somaliland Frontier*. Pending final settlement of the frontier between Ethiopia and Italian Somaliland the line to which the British Military Administration is withdrawing on the evacuation from the Ogaden should be the provisional boundary without prejudice to the final settlement.

A map showing the approximate position of the provisional line to which the British Military Administration in the Ogaden will withdraw is attached.²

¹ Brackets throughout this document appear in the source text.

*The U.K. agreement is conditional on a solution satisfactory to them being reached as regards Eritrea. [Footnote in the source text.]

² Not printed.

The Ethiopian Government should be asked to state whether they would accept this provisional line as the permanent frontier between Ethiopia and Italian Somaliland in accordance with previous agreements between the Ethiopian and Italian Governments. If the Ethiopian Government reply that they do regard this provisional line as the permanent frontier, then all that will be necessary will be the appointment of a boundary commission to demarcate this frontier.

If, on the other hand, the Ethiopian Government reply that they do not regard this line as a satisfactory permanent frontier, they should be urged by the Council of Foreign Ministers to agree upon the appointment of a boundary commission by the Secretary-General of the United Nations.

It would be the duty of such a boundary commission to take into account the views of the Ethiopian and Italian Governments and to decide upon a boundary which, while based on the relevant previous treaties, in particular the Italo-Ethiopian Convention of 1908, satisfies the administrative requirements of both parties and the interests of the inhabitants on each side of the frontier. In interpreting the Italo-Ethiopian Convention of 1908, the frontier to the east of the Webi Shebelli should be assumed to be a straight line drawn from the point fixed by the Convention on the Webi Shebelli to the point 48° East, 8° North, unless official documents are produced which show that the agreement of 1897 provided for some other specific line. The boundary commission should take their decisions by a majority vote.

The Ethiopian Government should be asked to give their consent to this proposal within three months of the 15th of September, 1948.

British Somaliland-Italian Somaliland Frontier. The frontier between British Somaliland and Italian Somaliland from Hidid to the Gulf of Aden should follow the 49th meridian of longitude thus including within British Somaliland the locality of Bender Ziada.]

B. ERITREA

U.S.S.R.

[That the former Italian colony of Eritrea be placed under the trusteeship of Italy for a definite acceptable term.]

U.S.S.R.

The position of the Delegation of the U.S.S.R. on the question of the frontier of Eritrea is stated in section A.

U.K.

[1) Ethiopia should be appointed to be administering authority in Eritrea for a period of ten years.

2) At the end of ten years the General Assembly of the United Nations would decide whether, and if so under what conditions, Ethiopian administration should continue indefinitely.

3) An Advisory Council would be appointed to assist the Ethiopian Administration. This Council would consist of local Eritreans and the representatives of four Powers, for instance, Italy, Switzerland, a Scandinavian country and a Moslem State.

4) The rights and position of the various groups, Italians, Moslems, Copts, etc., should be governed by a special statute which might include provision for separate law courts, for education, for religious rights, etc.

5) This Advisory Council, in addition to its advisory functions, should also have the power to suspend any legislation on certain reserved subjects under (4) above introduced by the Ethiopian Administration. It would then be open to the latter to ask the Eritrean Commission referred to in (6) to confirm the legislation, and if the Commission agreed to confirm it the suspension would then lapse.

6) The Advisory Council and the Ethiopian Administration would report from time to time to a special Eritrean Commission of the United Nations. This Commission would be quite distinct either from the Trusteeship Council or the Trusteeship Committee of the General Assembly. It should number some eight or nine representatives of States Members of the United Nations, chosen for reasons of disinterestedness, experience in administration of backward peoples, and not being States represented on the Advisory Council. The Commission would hold sessions every few months.]

France

[1) With the exception of the territories situated between the Gulf of Zula and French Somaliland, Eritrea should be placed under the trusteeship of Italy.

2) The territories situated between the Gulf of Zula and French Somaliland should be assigned to Ethiopia in full sovereignty.

3) Concerning the territories to be assigned to her Ethiopia would undertake to observe economic and finan-

cial stipulations drawn up in accordance with paragraph 19 of Annex XIV to the Treaty of Peace with Italy.³

4) The frontier between the territories assigned to Ethiopia and those which would be placed under the trusteeship of Italy should follow the present eastern administrative limit of the district of Akkele Guzai from the Gulf of Zula to the present Ethiopian frontier. It should be demarcated by a commission composed of an equal number of Ethiopian and Italian representatives before the 15th of September, 1949.]

U.S.

[The United States recommends the cession to Ethiopia of the southern section of Eritrea (including the Danakil Coast, and the districts of Akkele Guzai and Seræ, the new frontier to start at the Gulf of Zula, following the northern borders of Akkele Guzai and Seræ Districts to the Ethiopian frontier). Ministers recommend to the General Assembly of the United Nations that the question of the disposition of the remainder of Eritrea, that is, the northern and predominantly Moslem portion including Asmara and Massawa, be postponed for one year in order that it may be given further study before attempting to come to a definitive solution.]

U.S.
France

[The Governments of the United States and France, [in recommending that] † [if] ‡ the disposal of northern Eritrea should be postponed for one year, strongly advocate that the Italians formerly resident in this area should be allowed to return to their homes during the period of postponement. The Governments of the United States and France recognize that postponement would work further hardship on these people who have thus far been unable to make plans for their future, and they therefore consider that it would be equitable and just to allow them to return, whatever the final disposition of this territory may be.]

U.K.
U.S.
France

[The frontier between the territories assigned to Ethiopia and French Somaliland should follow the course of the Wadi Weima.]

³ This stipulated that final arrangements for the colonies were to be made by the CFM, or failing decision there, by the U.N. General Assembly.

† U.S. [Footnote in the source text.]

‡ France [Footnote in the source text.]

C. LIBYA

U.S.S.R. [That the former Italian colony of Libya be placed under the trusteeship of Italy for a definite acceptable term.]

U.S.S.R. The position of the Delegation of the U.S.S.R. on the question of the frontier of Libya is stated in Section A.

France [Taking note of the fact that the four Delegations have been unable to reach a unanimous decision, the French Delegation proposes to the Foreign Ministers that they should recommend to the General Assembly of the United Nations the postponement for one year of consideration of the disposal of Libya.]

[The United States and the United Kingdom recommend that Cyrenaica be placed under the trusteeship system of the United Nations with the United Kingdom as administering authority.

They further propose that the Foreign Ministers recommend to the General Assembly of the United Nations that the question of the disposal of the remainder of Libya be postponed for one year in order that it may be given further study.]

U.S.
France [The Governments of the United States and France, in recommending that disposal of [Tripolitania] § [Libya] || be postponed for one year, strongly advocate that Italians formerly resident in Tripolitania should be allowed to return to their homes during the period of postponement. The Governments of the United States and France recognize that postponement would work further hardship on these people who have thus far been unable to make plans for their future, and they therefore consider that it would be equitable and just to allow them to return, whatever the final disposition of [Tripolitania] § [Libya] || may be.]

U.K. [Whilst the United Kingdom Government would examine with sympathy the possibility of repatriating to Tripolitania those Italians who still have homes and families in that territory, they must record that so long as they have to fulfil their responsibilities as Occupying Power they must give first consideration to the maintenance of law and order and to the welfare and safety of the population including the existing Italian colonists. Any ad-

§ U.S. [Footnote in the source text.]

|| France [Footnote in the source text.]

ditional repatriation would therefore have to be very carefully considered from that point of view by the Occupying Power. These considerations apply to any territory in which the United Kingdom Government may be the Occupying Power.]

U.K.

[The United Kingdom also proposes that the present administrative boundary between Cyrenaica and Tripolitania should be moved westward so as to include within the former the Sirtica area and other predominantly Senussi areas. This line should be demarcated by a boundary commission to be constituted by the administrations concerned.]

The attached Annexes A, B, C, D and E form part of the present document.

*Deputy of the Secretary of State
of the United States of America*

L. W. DOUGLAS

*Deputy of the Minister for Foreign Affairs
of the French Republic*

R. MASSIGLI

*Deputy of the Minister for Foreign Affairs
of the Union of Soviet Socialist Republics*

G. ZARUBIN

*Deputy of the Secretary of State for Foreign Affairs
of the United Kingdom*

NOEL CHARLES

LONDON, 31 August, 1948.

Annex A

Recommendation by the Delegations of the United States, United Kingdom, and France on Italian Somaliland

METHOD OF TRANSFER

The three Delegations suggest that, in order that there should be no doubt as to the method of transfer, the decision of the Ministers should be formulated as follows:

1. The four Powers, acting in accordance with the powers which have been conferred on them by Annex XI of the Treaty of Peace, invite Italy to undertake the provisional administration of her former colony of Italian Somaliland with a view to placing it under the

trusteeship system of the United Nations with Italy as the administering authority. In accepting this invitation, Italy undertakes:

(1) to abide by the terms of the agreement which will establish, in accordance with the Charter of the United Nations, terms of trusteeship applicable to Italian Somaliland;

(2) to accept the frontier arrangements specified in the Recommendations and the arrangements mentioned in Annex B.

2. The administration of former Italian Somaliland will be transferred by the Government of the United Kingdom to the Italian Government at such date (not later than 15th January, 1949) as may be agreed between the Government of the United Kingdom and the Italian Government.

3. The above mentioned conditions shall be an integral part of the decision of the Council of Foreign Ministers, and if they are not acceptable to Italy this decision of the Council of Foreign Ministers shall become null and void, and the question of the disposal of Italian Somaliland shall, in accordance with Annex XI of the Treaty of Peace with Italy, then be submitted to the General Assembly of the United Nations for a recommendation.

Annex B

Recommendation by the Delegations of the United States, United Kingdom, and France on Italian Somaliland

ECONOMIC AND FINANCIAL PROVISIONS

1. Italy should agree to negotiate with the United Kingdom Government a settlement of outstanding economic and financial matters including the transfer of statal and para-statal property, matters relating to currency and the hand over of stores, buildings, etc. If agreement is not reached within three months from September 15th, 1948, an arbitrator should be appointed by the Secretary-General of the United Nations whose decision would be binding on both parties.

2. In addition, the decision of the Council of Foreign Ministers should contain provision for certain other outstanding economic and financial matters in accordance with paragraph 19 of Annex XIV of the Treaty of Peace with Italy along the following lines:

In accepting trusteeship over Italian Somaliland, Italy will undertake to apply in the territory, in so far as appropriate, the provisions of Articles 75, 76, 78, 80, 81, 83 and Annex XV of the Treaty of Peace. Pending the coming into force of a trusteeship agreement, Italy will

undertake to apply in the territory the provisions of Article 82 of the Treaty of Peace.⁴

Annex C

Statement by the Delegation of the Soviet Union

SPECIAL OPINION OF THE U.S.S.R. DELEGATION

Since the Council of Foreign Ministers has instructed the Deputies only "to submit their recommendations on the question of defining the ultimate fate of the Italian territorial possessions in Africa", the Soviet Delegation considers that the consideration of questions in paragraphs 4, 5 and 6 of the recommendations on Eritrea submitted by the U.K. Delegation and in paragraph 3 of the recommendations of the French Delegation do not come within the terms of reference of the Deputies and therefore should not be included in the Recommendations to the Council of Foreign Ministers.

This in equal measure relates to the text of Annexes A and B submitted jointly by the Delegations of the U.K., U.S. and France.

Annex D

Statement by the Delegations of the United Kingdom, United States, and France

The U.K., U.S. and French Deputies disagree with the opinion of the Soviet Delegation that certain of the recommendations made by these three Delegations do not come within the terms of reference of the Deputies. (Annex C)

It is the task of the Deputies to prepare the ground so far as possible for the decisions which the Foreign Ministers are required to take by the provisions of the Peace Treaty. In carrying out this task, the Deputies must clearly be guided by the same considerations as the Ministers themselves. The Ministers, according to the text of Annex XI of the Treaty, must bear in mind the requirements of peace and security. It is evident that an incomplete or vague settlement, or one which left undecided such questions as the method of transfer of administration, would not fulfil these requirements. Moreover, Annex XIV contains a definite requirement that the Ministers should decide the economic and financial questions connected with the final disposal of the former Italian Colonies.

⁴ These articles relate to the restitution of allied property, renunciation of claims, payment of debts, and settlement of disputes arising from any claims etc.; Article 82 provided for the establishment of normal trading relations between Italy and the United Nations without discrimination against nationals of any state.

Annex E.

Statement by the Delegations of the United States, United Kingdom, France, and the Soviet Union

REQUESTS BY OTHER INTERESTED GOVERNMENTS TO EXPRESS THEIR VIEWS TO THE COUNCIL OF FOREIGN MINISTERS

In presenting their views on the disposal of the former Italian Colonies the Governments of Australia and of the Union of South Africa made a definite request for an opportunity to present views to the Council of Foreign Ministers.

In addition, the following other interested Governments have informed the Deputies that they reserve the right to present views direct to the Ministers:

Byelorussian S.S.R., New Zealand, Poland, Ukrainian S.S.R. and Yugoslavia.

The Deputies inform the Ministers of these facts so as to enable them to consider the question at the appropriate time.

Editorial Note

On September 4, 1948, the Soviet Union raised the question of convoking the Council of Foreign Ministers to discuss the disposition of the former Italian Colonies, in notes to the Governments of France, the United States, and the United Kingdom. In their replies the three Western Governments agreed to the calling of a meeting of the Council of Foreign Ministers, and in subsequent communications the first session was set for Paris on September 13. Secretary of State Marshall designated Ambassador Douglas as his special representative for the session; the United Kingdom sent Hector McNeil, British Minister of State; France—Foreign Minister Robert Schuman; and the Soviet Union—Deputy Minister of Foreign Affairs, Andrey Vyshinsky.

The sessions of the Council of Foreign Ministers, which met five times from September 13 to September 15 to consider the recommendations of the Deputies for the Italian Colonies, were inconclusive. Vyshinsky maintained that they were not even meetings of the Council of Foreign Ministers since Bevin and Marshall were not present. The discussion of the character of the meetings took up all of the first and the larger part of the second meeting before Vyshinsky agreed to discuss the Italian Colonies without resolving the question of the character of the meetings.

The Soviet Representative then proposed the return of all the colonies to Italy and charged the United States and United Kingdom

with using the colonies for bases in violation of the Italian Peace Treaty. Douglas and McNeil denied these charges and advocated the return of Italian Somaliland to Italy since all the powers were agreed on that.

At the third meeting Vyshinsky, in a *volte face*, proposed the establishment of a joint trusteeship for all the colonies under the United Nations and refused to deal piece-meal with the territories. Douglas, supported by Schuman and McNeil, opposed this suggestion. He proposed that the Foreign Ministers dispose of Southern Eritrea and Italian Somaliland, and refer the problem of the remaining colonies to the United Nations General Assembly.

In the last two meetings the ministers could not agree on any proposal. Accordingly they sent a note to the Secretary-General of the United Nations informing him that the disposition of the former Italian Colonies now rested with the General Assembly in accordance with Article 23 and Annex 11 of the Italian Peace Treaty. The Ministers also transmitted the reports of the Field Investigation Commission.

The text of the Soviet note and subsequent communications between the four Governments on the convening of the Council of Foreign Ministers are in file 865.014. Documentation on these meetings of the Council of Foreign Ministers is in telegrams 4771, 4806, and 4818 from Paris, not printed, and in Box 122 of CFM Files, Lot M-88, the consolidated master collection of the records of the Council of Foreign Ministers and ancilliary bodies for the years 1943-1955.

865.014/9-2448

The Minister in Ethiopia (Merrell) to the Secretary of State

RESTRICTED
No. 99

ADDIS ABABA, September 24, 1948.

SIR: I have the honor to transmit herewith, for record purposes, the text of a communiqué issued to the press by the Ethiopian Government in regard to the disposition of the former Italian colonies.

The communiqué was published in the *Ethiopian Herald* of September 20, 1948, and had been previously handed to the foreign press representatives in Addis Ababa. In the tone of an ultimatum, it warns the members of the United Nations of the "almost certain consequences" of any effort forcibly to reintroduce Italian authority into the ex-Italian colonies, and intimates that any attempt to restore Italian authority in the former Italian provinces will be "actively resisted" and be a constant "threat to international peace and security."

There is certainly very strong feeling on this subject on the part of Ethiopians of all classes and it is unlikely, I believe, that the Ethiopian Government and people will peacefully accept the return of Eritrea to Italy. There is less concern about the future of former Italian Somaliland.

Giving indication of the feeling in high official circles here, the Minister of Public Works (M. Zaoude Balayneh) stated in a conversation several days ago with a French official of the Franco-Ethiopian Railway that the Ethiopian Government would, if necessary, send forces into Eritrea to prevent the re-establishment of Italy in that area. With due allowance for the fact that the Minister's father and father-in-law both lost their lives at Italian hands, his remarks may be considered representative of the views of many Ethiopians, and it may be expected that any decision to return Eritrea to Italian control will be opposed by Ethiopia by every means at its command and lead to a chronic state of disorder on the frontier. The position of Italian residents of Addis Ababa and other parts of Ethiopia may become dangerous and untenable, while that of nationals of countries supporting the return of Italian authority to Eritrea will, to say the least, become extremely uncomfortable.

Respectfully yours,

GEORGE R. MERRELL

865.00/9-2848

*Memorandum by Mr. Philip Bagby of the United States Mission
to the United Nations*¹

MINUTES OF WORKING GROUP ON ITALIAN COLONIES

SECRET

[PARIS,] September 28, 1948.

It was agreed that the question of the disposition of the Italian Colonies should not come up for consideration until after the United States elections. Mr. Raynor stated that the British were in agreement with this. It was agreed that no action was necessary to obtain deferment of the question, since it already appeared as No. 10 on the agenda of Committee #1.²

Messrs. Villard and Raynor were requested to make an estimate of

¹ The members of the Working Group present at this meeting were: Dean Rusk, Chairman of the Group and Director of UNA; Ernest A. Gross, Legal Adviser; Philip Bagby; William I. Cargo, AF; O. Benjamin Gerig, UND; Col. Philip H. Greasley, USAF; David H. Popper, OA; G. Hayden Raynor, EUR; Capt. Harold P. Smith, USN; Eric Stein, IS; John E. Utter; Henry S. Villard, S/P; Stanley Wilcox, DRE. The meeting took place at 4 p.m., September 27.

² The problem of the Italian Colonies had come before the General Assembly at its 143d meeting September 24, 1948, and had been referred to the First Committee (problems dealing with threats to international peace and security).

the number of members of the United Nations who would vote for or against British Trusteeship for Cyrenaica, if urged to do so by the U.S. and the U.K.

Mr. Rusk suggested that additional votes might be obtainable if Cyrenaica were placed under Trusteeship with the United Nations itself as the administering authority and Great Britain acting on behalf of the United Nations as a sort of Executive Agent. It was agreed that the British reaction to such a scheme should be obtained informally.

It was agreed that it would be useless to have Tri-Partite U.S., U.K., French talks on the Italian Colonies at this stage, unless the French had some new proposal to make.

501.BB/9-2848 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, September 28, 1948—7 p. m.

Gadel 81. Dept fully agrees with Brit Fonoff re necessity approaching other UN Members soonest possible on Italian Colonies. (London's 4250,¹ reptd Paris 657). However Dept feels much more could be accomplished in many cases by direct approach Delegations Paris, many of whom have full powers negotiate, rather than by approach to home Govts, although latter procedure may be preferable in some isolated instances.

Dept suggested Brit Emb here that interested officials US and Brit Delegations Paris confer on which States could be most advantageously approached through their Delegations in Paris and which through their home Govts. Brit Emb forwarding this suggestion London. This would be in line with suggestion Delga 129¹ for further US-UK talks Paris. Dept approves this suggestion but leaves to Delegation's discretion whether French should participate at this stage.

Dept feels question disposition Libya one of such primary importance as to make it imperative that Dept and Del exert every effort to insure that every UN Member outside eastern block understands reasons prompting UK-US position. Brit have showed us proposed line which they would take in approaching other States. Dept agrees in general with Brit approach, but is somewhat concerned that greatest emphasis is placed on Cyrenaica. While we share Brit views on importance Cyrenacia, we feel they must realize that postponement as temporary solution for Tripolitania is of as great concern to us as Brit

¹ Not printed.

trusteeship over Cyrenaica. US Del and Emb London should seize every opportunity point out to Brit that we expect same support from them on Tripolitania as we intend to give them on Cyrenaica.

Re problem of which States should be approached by US, which by UK and which jointly, Dept approves suggestions set forth London's 4032 Sept 9² unless Del perceives objection in individual cases.

Sent Paris for Gadel; repeated London as 3798.

LOVETT

² Not printed; in it Douglas suggested that the United Kingdom approach the British Empire; the United States approach Cuba, Guatemala, and Argentina; and the United Kingdom and United States jointly approach the remaining South American, European, African, and Asian states. Neither would approach the Arab or Eastern blocs. (501.BB/9-948)

501.BB/10-1348: Telegram

*The Secretary of State to the Acting Secretary of State*¹

SECRET PRIORITY

PARIS, October 13, 1948—10 p. m.

Delga 316. Tripartite US-UK-Ethiopian conversations on Eritrea held yesterday, Clutton representing UK, Aklilou and Spencer Ethiopia, Villard and Bagby US.

Aklilou made strong plea for cession to Ethiopia of region including Asmara and Massawa, stating he did not understand why US was in favor of postponing decision on this area which was so vital to Ethiopian economy. He pointed out Ethiopians were capable of administering Addis Ababa, a much larger city than Asmara, and added four-power commission statistics shows port of Massawa receipts greatly exceeded expenditures. Ethiopia therefore was entirely capable of administering these two towns. He indicated he preferred British proposal, especially if some hope could be given that Ethiopia could annex territory after 10 years provisional administration, but feared delay might be caused if UN had to work out elaborate statute.

Clutton said UK certainly wished avoid any delay and would be prepared hand over territory before details of statute worked out. In any case, British did not regard their proposal as "sacred" and would consider any other reasonable proposal. He stressed necessity obtaining two-thirds vote in GA.

Aklilou said if US could agree to cession Asmara-Massawa area, Ethiopia might be able agree to postponement western province or even

¹ Secretary Marshall was at Paris attending the third regular session (first part) of the U.N. General Assembly which met September 21-December 12, 1948. The Secretary of State was with the U.S. Delegation, except for two brief absences, until November 21, when he returned to Washington. For documentation on the organization of the U.S. Delegation at Paris and arrangements of the Delegation for the conduct of business at the General Assembly see vol. I, pp. 289 ff.

cession that area to Sudan. Clutton and UK opposed cession that area because they did not wish to be accused of land-grabbing and because it would raise question Egyptian sovereignty over Sudan. If, however, in a Subcommittee of Committee I it appeared there was considerable feeling in favor such plan, British might accept placing that area under provisional administration of Sudan Government, leaving UN free reconsider final disposal in 5 or 10 years.

We inquired what Ethiopians thought possibility some sort international administration of port of Massawa, stressing this was merely personal suggestion as we had no instructions from Washington. Aklilou replied it was simply question ensuring good working of the port, surely Ethiopia could be trusted to hire capable experts, if it was question making concession to certain elements in international opinion in order obtain votes in GA, Ethiopia might consider undertaking to leave technical operation of port under board of experts to be named by ECOSOC, or something of kind. He did not want, however, elaborate statute which would take another year work out.

Clutton remarked such scheme would please those elements of opinion who "favor internationalizing everything" but would not conciliate pro-Italian elements. Aklilou said he had been talking several LA delegates who were surprised learn Eritrea's small size and lack resources and to realize it could never serve as outlet for Italy's excess population.

We promised refer Aklilou's suggestions to USDel and Department. He asked early reply as he will have consult Emperor.

Our general impression was that Ethiopians will agree to any reasonable concession as long as they receive possession of port of Massawa. They would probably vote for US-UK proposal for Libya and make no violent opposition Italian trusteeship for Somaliland. Although, of course, we did not mention question, we feel sure Ethiopians would agree our keeping radio station in Asmara. If Department finds above suggestions acceptable (Sudanese provisional administration of western province and an ECOSOC-appointed board to run Massawa) it may wish authorize US ask Aklilou about radio station.

Sent Department Delga 316, repeated London 1055, Addis Ababa 4.

MARSHALL

501.BE/10-748 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, October 15, 1948—6 p. m.

Gadel 218. US position Itcol remains same as set forth Gadel 45.¹ While Dept interested evidence effect sentiment slowly crystallizing

¹ Not printed; it stated that the United States' position remained the same as that outlined in the CFM Deputies Recommendations, p. 942 (501.BB/9-2448).

among Arab States in favor Brit trusteeship for all Libya, it does not consider there is yet sufficient evidence of general trend that direction to warrant reconsideration US position. (Delga 243).² Any abandonment our policy of postponement Tripolitania could be expected have serious repercussions Italy which we are most anxious avoid. Although we appreciate desirability obtaining support Arab states, we foresee any gain from that source might be more than offset by losses from Latin American states. Moreover one of principal merits our policy of postponement for Tripolitania, which is known and accepted as our position, is fact that we would not be faced with necessity opposing on their merits such solutions as Italian trusteeship, independence, etc. Advocacy postponement enables us take attitude that we are not voting for any these possible solutions at this session simply because we feel situation complicated one requiring further study.

As Del aware, important objective in northern Eritrea is maintenance our facilities Asmara which Armed Forces prefer remain Brit hands. Although we recognize disadvantages our proposed boundary for partitioning Eritrea, it represents best compromise possible bet satisfaction Ethiopian aspirations and maintenance our facilities. Moreover, our present policy of postponement for northern Eritrea has same advantages as in case Tripolitania in enabling us oppose other possible solutions without having take position on their merits. After careful study Delga 243 and 316,³ Dept cannot see any new factor situation present time which would make it desirable change our present policy on northern Eritrea.

Despite foregoing, Dept greatly interested any trend among Arabs or other delegations toward favoring Brit trusteeship for all Libya and desires be kept closely informed any such development. Likewise in case Eritrea, Dept desires full details re any trend in favor Ethiopians.

Dept wishes emphasize at this time desirability stressing at every appropriate juncture our attitude in favor return Italian settlers to Tripolitania and northern Eritrea during period of postponement. In many instances this should be effective lobbying argument, especially among Latin American delegations. Dept particularly anxious ensure US position this subject made integral part US proposals for these two territories when formally introduced in Committee One and in GA.

LOVETT

² Not printed.

³ *Supra*.

501.BB/10-1648 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET

PARIS, October 16, 1948—2 p. m.

Delga 355. Reference Gadel 81, September 28; 193 October 13.¹ Delegation has completed conversations with Clutton, UK delegate regarding method of approach to other delegates and governments regarding former Itcols. We have not informed Department results these conversations because it will be necessary to have a delegation decision on whether to proceed with the campaign at this time or not. The delegation's decision has been held up because US GADel staff concerned problem have been considering whether if necessary to obtain GA approval, we should modify in any way position on Libya which we took in CFM.² We would of course maintain our commitment to British on Cyrenaica.

US GADel staff concerned with problem are considering the possibility that it would be best to return to the earlier NSC position of British trusteeship for all of Libya, laying however great emphasis on independence as the ultimate goal and providing for automatic independence after ten years. The latter provisions would be necessary to meet point of view of Arab states (Delga 243)³ and other anti-colonial powers.

Special provision will have to be made of course for return of Italian settlers to Tripolitania in order to conciliate pro-Italian feeling among Latin-American nations. The delegation intends to discuss this tentative position with British before reaching decision. We will proceed on this basis unless Department has some objection.

MARSHALL

¹ Gadel 81, p. 954; Gadel 193, not printed.

² For the position under reference see CFM Deputies' Recommendations, p. 942.

³ Not printed.

501.BB/11-948 : Telegram

The Acting Secretary of State to the Secretary of State, at Paris

TOP SECRET US URGENT WASHINGTON, November 9, 1948—8 p. m.

Gadel 439. For the Secretary. Views of Joint Chiefs on Eritrea just obtained briefly as follows:

1. Inadvisable remove radio facilities from Asmara as tests indicate no other suitable location Middle East-Eastern Mediterranean area.

2. No assurance facilities will be as secure and free as at present from technical or political interference, either deliberate or inadvertent, if territory ceded Ethiopia.

3. Consequently consider essential, if Asmara and Massawa ceded Ethiopia, obtain in writing, but not in form which would have to be registered UN, for indefinite period detailed guaranties (including participating rights airfields and free passage between two cities) for facilities Asmara and Massawa which in effect amount to a sort of military extra-territoriality to which add right of expansion military facilities "in an emergency or threat of war".

(Delgas 445, 556, 612, Gadel 410)¹ DefenseSec in transmitting above expressed opinion such agreement with Ethiopia would be difficult secure and suggested question again be placed on agenda National Security Council if time permits. We are informing Mr. Forrestal that unfortunately there is insufficient time and we are outlining for him Depts recommendations to you re this problem as follows:

1. Proceed soonest urging favorable vote other Delegations US-UK position Italian colonies with cession Eritrea, including Asmara and Massawa, to Ethiopia except northern Moslem section for which we should favor postponement for at least one year.

2. Secretary to speak to Ethiopian Vice Minister Foreign Affairs along line conversation Oct 14 (Delga 445)² making following new points: (a) US has taken firm position to support cession to Ethiopia of all Eritrea, including Asmara and Massawa, except Western Province. (b) We will favor postponement decision on northern Moslem section Eritrea because we consider problem disposition this area more complicated and needs further studying. (c) We are indeed grateful for and accept unsolicited Ethiopian offer to make satisfactory arrangements which will permit continuation of US radio facilities at Asmara. We are particularly appreciative of Emperor's friendly gesture of offering written assurances but relying confidently on their expressed intention we are content to enter detailed discussions for such arrangements as may be necessary for our facilities at Asmara and Massawa after this territory has been ceded to Ethiopia. We do not envisage that two countries bound by such friendly relations and parallel policies in world affairs will encounter difficulties in coming to satisfactory arrangements.

Even though Ethiopian offer written assurances was unsolicited we believe it would be too dangerous to accept them bearing a date prior to the cession of Eritrea to Ethiopia because of ugly repercussions if this became known. Furthermore kind of rights which Joint Chiefs state are necessary for security facilities Asmara and Massawa will be obtained and retained in last analysis only on basis good will and we believe good will more likely result from above approach than from *quid pro quo* "written guaranties" which Ethiopians could later claim were obtained under duress. In any case we are convinced that we must vote for cession of Asmara and Massawa to Ethiopia whether or

¹ None printed.

² Not printed; it transmitted the text of a memorandum of conversation between Secretary Marshall and Aklilou in which Marshall stated that a "... solution reasonably satisfactory to Ethiopia would be worked out, particularly as regards Asmara and Massawa." (501.BB/10-2248)

not we are able indefinitely to maintain our military facilities there. We must therefore appear to Ethiopians as friendly and as generous as possible while we are still apparently in a position of being able to offer something.

Having in mind Italian political situation and our inability satisfy Italian desires re former Colonies we would still prefer our original position. If this not acceptable, next choice postponement decision one year all colonies. If neither of these courses feasible, we agree procedure outlined above.

LOVETT

501.BB/11-1348 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET US URGENT

PARIS, November 12, 1948—7 p. m.

Gadel 464. For Gross and Rusk. You will recall that difficulty obtaining congressional approval for US trusteeship over Tripolitania or US participation in multi-power trusteeship was only one of several reasons why Dept did not favor such solutions for disposition this area. Other reasons included (1) inadvisability of attempting establish Amer administration over Arab territory in Med in light present relations with Arab states; (2) adverse reaction in Italy of US not only failing support Italian trusteeship but seeking this territory for itself; (3) impracticability multi-power trusteeship with or without US participation in view US-Brit strategic interest in area, to say nothing of increased administrative difficulties which would ensue. (Delga 711, Nov. 12).¹

We do not believe it would be advisable even to suggest to congressional leaders that US finance a UN trusteeship to be administered by Trusteeship Council of which USSR is a member.

In any event I would be unable before Monday obtain opinion congressional leaders as most of those whom it would be appropriate approach are absent Washington.

Finally, Presidential approval would be required.

LOVETT

¹ Not printed.

501.BB/11-1848 : Telegram

The Secretary of State to the Acting Secretary of State

SECRET URGENT

PARIS, November 18, 1948—8 p. m.

Delga 818. Following are our recommendations on UN members whose home governments should be approached by US to obtain sup-

port for US-UK views on Italian colonies: (List was established at meeting of British and American liaison officers.)

Belgium, Bolivia, China, Costa Rica, Cuba, Denmark, Ecuador, El Salvador, Greece, Haiti, Iran, Liberia, Luxembourg, Mexico, The Netherlands, Paraguay, Philippines, Siam, Turkey and Venezuela.

In each case it is believed US chief of mission should consult with his British colleague on best method of approach, whether joint or separate, whether to President or Foreign Minister, etc. In each case, US delegation will also approach delegation of country named.

In case of Siam, it might be well also to approach Siamese Foreign Minister in Washington if he is still there.

In the case of the Benelux countries, it will be necessary to overcome the French thesis that Tripolitania should be placed under Italian trusteeship at this time. The British brought the question up at a meeting of the Western Union but failed to get a favorable decision due to French opposition. It might be well to stress the military weakness of Italy which, in her best interests, should not at this time undertake a task which might require a considerable number of troops.

Delegation may have recommendations as to additional governments to be approached by Department after initial reaction obtained here.

Department may be interested to know that British state they have obtained promises of support on Cyrenaica from a number of Latin-American states (including Argentina) and believe they can count on 17 to 18 votes out of 20. Postponement for Tripolitania may be more difficult to sell, however, as French and Italians have been campaigning actively recently among Latin-Americans in favor Italian trusteeship of Tripolitania.

MARSHALL

501.BB/11-2648: Circular telegram

*The Secretary of State to Certain American Diplomatic Offices*¹

SECRET

WASHINGTON, November 26, 1948—3 a. m.

US URGENT TO ACTION COUNTRIES

Position US will take in GA re disposition former Italian Colonies is as follows:

1) Brit trusteeship for Cyrenaica; 2) Postponement for one year decision on Tripolitania and Fezzan, which would be studied during that period by appropriate organ UN with view to making recom-

¹ Secretary Marshall had left Paris on November 21, 1948, for Washington, and did not return to Paris.

This circular telegram was sent to missions in Bolivia, China, Costa Rica, Cuba, Denmark, Ecuador, El Salvador, Greece, Haiti, Iran, Liberia, Mexico, Paraguay, Philippines, Siam, Turkey, Colombia, Uruguay, Panama for action.

recommendations on future of territories at next regular session GA, former Italian residents to be permitted return their homes in interim; 3) Italian trusteeship for Somaliland; 4) cession Eritrea to Ethiopia except for that northern section known as "Western Province".

An oral approach to Govt to which you are accredited to gain support for this position by explaining it clearly is matter both urgency and importance (problem may arise GA Nov 29). You should consult with your Brit colleague best method approach, whether jointly or separately, whether to Chief of State or Fonmin, etc. (no joint approach in American Republics). US Delegation Paris will also approach Delegation of country to which you are accredited. (See Dept *Bulletin*, Vol. XIX, No. 482, Sept 26.)

Your approach should take following general line but Dept leaves to your discretion which points to emphasize:

a) While US aware position may not be completely satisfactory to everyone, we sincerely believe that on whole it represents fairest and most generally satisfactory solution.

b) In case of Libya, we have great sympathy for expressed desires of local inhabitants for independence. In considering our position on this territory, however, we have found it necessary to give weight to two important factors. First is fact there is not sufficient community of interest between Cyrenaicans and Tripolitaniens to make practical a united Libya at this time. Second is fact neither Cyrenaicans nor Tripolitaniens ready for independence at this time, fact recognized by Four Power Commission of investigation which was sent to territories in accordance terms Italian Peace Treaty. Both Cyrenaica and Tripolitania will require guidance and assistance before they are able stand on own feet. Since trusteeship system devised to meet just such situation, we feel both territories should receive guidance and assistance which they will require by establishing trusteeship.

c) In case of Cyrenaica, Great Britain is, in our opinion, admirably and best suited to be trustee. Relations between Brit and Cyrenaicans are cordial, and we believe Brit have given abundant evidence their good faith in leading dependent peoples toward self-government and independence. Furthermore, security non-communist world depends in large measure on Brit maintaining strong position in Mediterranean-Middle Eastern area, and importance in this regard of Brit trusteeship for Cyrenaica is obvious by reason of geographic position of area. This Govt's sympathy with present Italian Govt is well known. We have exerted every effort since war to strengthen present Italian regime, and ensure that new democratic Italy assumes proper place in family of nations. In line with this general policy, this Govt looks

with favor on principle of participation of Italy in administration her former colonies in Africa, and for that reason is advocating Ital Somaliland be placed under Ital trusteeship. For similar reasons and in recognition of problems imposed on Italy by demographic pressure, we feel most strongly that former Italian residents of Tripolitania should be permitted return their homes.

In case Cyrenaica, however, violent hostility of local inhabitants toward Italy coupled with Great Britain's war-time pledge that area would never again be placed under Ital administration precludes in our opinion any consideration of Italy as trustee for Cyrenaica.

d) As regards Tripolitania this Govt has rejected possibility immediate independence for much same reasons as in case Cyrenaica. We have discarded possibility multi-lateral or direct UN trusteeship as administratively impractical and politically dangerous in light of world situation as it has developed since end World War II. We believe single power trusteeship most desirable but have been unable decide which power best fitted assume responsibility and because of wide divergency opinions this subject and complexity problem we consider additional year study by UN fairest and most just approach to problem.

e) Re Somaliland, we feel Italian trusteeship most desirable solution. Administration this territory will afford govt of new democratic Italy chance it so earnestly desires to demonstrate its ability take share in task of educating and assisting backward people.

f) Our proposal for cession of greater part Eritrea to Ethiopia is based on Ethiopia's claim for access to sea (only port worthy of name is Massawa), economic ties between two countries, and fact that large proportion of population is kin to northern Ethiopians by race and religion. We have proposed outright cession this territory to Ethiopia because it is obvious that Eritrea's economic and political future lies naturally with Ethiopia. We are not advocating cession of Western Province to Ethiopia since problems raised by its predominantly Moslem population seem to us to make postponement and further study advisable.

You will note that many of above comments are designed for countries which may favor return of Ital administration to other of her former colonies than Somaliland and such arguments will not be needed or at any rate probably should not be emphasized in those countries which have little or no pro-Italian sentiments.

Report immediately reactions your approach and repeat your replies Paris for US Del and to London.

MARSHALL

501.BB/11-2648 : Telegram

The Secretary of State to the Legation in Ethiopia

TOP SECRET US URGENT WASHINGTON, November 26, 1948—9 p. m.

149. Position US will take in GA on former Itcols sent as cirtel.¹ Note US will support cession to Ethiopia of all Eritrea except West Province which would be postponed for further period of year. Future this area would be studied by appropriate organ UN with view formulating recommendation next regular session GA.

Secretary informed Aklilou our decision Nov 20. Inform Emperor orally in way you consider most advisable and explain that US considers cession act of justice by which most of Coptic Christians would be included in boundaries Ethiopia and which would provide Ethiopia with outlet to sea through port of Massawa. You may add US glad able take this position and confident it will strengthen bonds friendship and cooperation existing between our two countries. Dept also informing Eth Min² here.

If Emperor or Eth Govt officials inquire about our position re other Itcols, you may give them such background contained in ref cirtel as seems appropriate. While we cannot expect Ethiopian support for Italian trusteeship for Somaliland, we hope Ethiopia will support our position on Libya. You could point out US and Brit positions on all Itcols now essentially same.

For your background info only, US armed forces particularly interested retaining unhampered use radio station Asmara and possibly use other mil facilities (airfields, port) Asmara-Massawa area after southern Eritrea ceded Ethiopia. Recently in Paris Ethiop Delegation GA volunteered that Emperor would make written assurances that any arrangements suitable to US for continuation US radio station Asmara would be agreeable to him. On Nov 20 Secretary assured Aklilou US favors cession Asmara and Massawa to Ethiopia and asked him to thank Emperor for his unsolicited offer permit radio station remain Asmara. Furthermore, he indicated we are particularly appreciative Emperor's friendly gesture of offering written assurances but relying confidently on their expressed intention, we content discuss such arrangements necessary for our facilities Asmara after this territory ceded Ethiopia. We do not envisage that two countries bound by such friendly relations and parallel policies in world affairs will encounter difficulties in coming to satisfactory arrangements. Do not discuss subject of radio station or military facilities with Emperor unless he raises

¹ *Supra.*

² Ras H. S. Imru, Ethiopian Minister in the United States.

question and then you should speak along foregoing lines without mentioning military facilities Massawa.

Please report Emperor's reactions soonest to all addressees.

MARSHALL

501.BB/11-2548 : Telegram

The Secretary of State to the Embassy in France

SECRET US URGENT
NIACT

WASHINGTON, November 25, 1948—1 p. m.

Gadel 584. Circular telegraphic instructions have been prepared and are ready be sent to those capitals in which delegation and Dept agreed discussions on US position Itcols could profitably take place. This is a matter of urgency because of short time remaining before problem reached on GA agenda and because Brit are holding up their instructions to coordinate them with ours.

In light of change in our position re Itcols adopted on Delegation's recommendation with respect Eritrea Dept requests Delegation's urgent appraisal parliamentary situation and specific comment on possibility that two-thirds vote may not be received on any concrete proposal, thus leaving issue open until next GA. Dept has repeated to you Rome's 4414,¹ which indicates seriousness with which Italian Govt views possible domestic effects US position to which we must give careful consideration.

Following instructions are provided for Delegation's guidance:

1. French have informed us they intend introduce a proposal for Italian trusteeship Tripolitania. You should abstain on vote on this draft resolution.

2. Delegation's appraisal is requested of a possible alternative proposal whereby our draft resolution on Libya would terminate in phraseology along following lines:

"That the Trusteeship Council report to next regular session of GA whether inhabitants of Tripolitania can best be assisted in preparing themselves for independence if Tripolitania is placed under international trusteeship with Italy as administering authority."

Do you think French might accept such language as compromise in lieu their proposal.

3. Please incorporate phraseology in any resolution on cession of Eritrea to Ethiopia which would guarantee rights Italians presently residing in Eritrea and return to their homes of former Italian residents of that colony.

You are authorized in your discretion consult with Brit Delegation.

Please repeat your reply to London.

MARSHALL

¹ Not printed.

865.014/11-2848 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET NIACT

ROME, November 28, 1948—8 p. m.

4476. I appreciate consideration indicated in Gadel 584 of November 25, 1 p. m. to Paris, repeated Rome 2880 with regard to serious situation here described in mytel 4414, November 23.¹ It is my duty to report to you, however, that measures envisaged therein will fall far short of meeting needs of US position re Italy. I hope Department will not underestimate importance of this issue to Italian public opinion. It may be difficult to perceive how impact of unfavorable decision re colonies could offset tangible benefits which Italian people are already deriving from cooperation with West and specifically with US. No other question outside that of Trieste (see mytel 2798, June 28)² is as deeply felt throughout all sections of Italian public opinion. In present instance we would reverse situation that arose from our March 20 proposal re Trieste³ and give Communists their first real opportunity successfully to attack De Gasperi Government on an issue that will appeal to every Italian.

Recent press telegrams indicate great use already being made by Communists on this issue and that De Gasperi and Sforza's concern over future of government itself is fully justified. It is my conviction that if Sforza and some of other ministers are forced to resign as a result of US stand in matter of former Italian colonies it will be impossible for any successor to Sforza in face of public reaction to continue policy of unreserved cooperation with West. We are therefore at a decisive point in future development of Italian policy. If Italian Government's efforts which so far have been signally successful in leading Italian people towards European unity and alignment with other Western democracies is to suffer severe set-back at this critical stage, the results will not only be serious for Italy but the weakening of government's position would affect Western European unity.

If Department's over-all policy does not permit taking position at least as favorable to Italy as that proposed in CFM deputies September meeting, I urge that consideration of this question by the General Assembly be postponed until present Italian Government policy of

¹Not printed; in it Dunn reported that the Italian Government would be seriously weakened if Eritrea were given to Ethiopia and that he could not exaggerate the effect of such a decision on Italian public opinion (865.014/11-2348).

²Not printed.

³On March 20, 1948, the United States, United Kingdom, and France had proposed that Trieste be returned to Italy instead of being administered as a Free Territory. For the text of this proposal see Department of State *Bulletin*, March 28, 1948, p. 425. For documentation on the policy of the United States toward the Free Territory of Trieste see pp. 502 ff.

cooperation with West has been more fully implemented and until Italian Government is therefore in a better position to meet Italian public opinion.⁴

DUNN

⁴ On December 7, 1948, the General Committee of the General Assembly approved by a vote of 6 to 4 a proposal to reallocate the question of the disposition of the Italian Colonies from the First Committee to the *Ad Hoc* Political Committee. This proposal was then discussed at the 175th Plenary Meeting of the General Assembly on December 8, and defeated by a vote of 31 to 11. But the First Committee, owing to the pressure of business, was unable to examine the issue and it was deferred to the second part of the third session in April-May 1949. For the text of the General Committee proposal see *United Nations General Assembly, Official Records, Annexes*, 1948, vol. I, p. 524. For the debate on the proposal by the General Assembly see *United Nations General Assembly, Official Records, Plenary Meetings*, 1948, pp. 758-766.

865.014/12-448

*The Acting Secretary of State to the Prime Minister of Italy
(De Gasperi)*

WASHINGTON, December 4, 1948.

MY DEAR MR. PRIME MINISTER: The President and the Secretary have given most careful and sympathetic consideration to the representations of Ambassador Tarchiani, and Your Excellency's personal message delivered to the Secretary by Ambassador Quaroni in Paris, concerning the question of the disposition of the former Italian colonies. The decision has now been reached that in view of all of the considerations involved the position supported by the United States Delegation to the General Assembly represents a solution which will best meet the wishes and promote the welfare of the inhabitants and further the interests of peace and security.

Throughout the consideration of this problem, the United States Government has given the most sympathetic regard to Italy's economic and demographic needs, and has kept in mind also the question of the colonies when other measures to assist the Italian people in their reconstruction of a prosperous, free and peaceful nation have been studied. In searching for the most just and equitable solution of this difficult problem the United States Government has had to take into consideration the interests and desires of the inhabitants of the territories, and also the practical question of Italy's economic position and the possibility that the burden of administration of some of the areas might seriously retard Italian recovery at home.

The United States Government has fully and actively supported an Italian trusteeship for Somaliland, and it is hoped this proposal will be approved by the General Assembly. This will provide an opportunity for Italians to resume their work of developing this area for

the mutual benefit of the indigenous population and of Italians who will be able to emigrate to the territory. Moreover, the United States position favoring postponement of a decision on Tripolitania this year does not preclude eventual Italian trusteeship, and it is intended to make this point clear at Paris. We intend as well to take a strong position with regard to the return of former Italian residents of Tripolitania and all of Eritrea. We are also including in the American draft resolution a clause designed to guarantee the human rights of all inhabitants of the territory which would provide for the protection of the interests and rights of both those Italians resident in Eritrea and those who may return.

In conveying this decision to Your Excellency I wish to renew the President's assurances that the Government of the United States maintains steadfastly its policy of cooperation with the Italian Government for the rebuilding of a society wherein the Italian and American peoples and all of the freedom-loving people of the world can live and work together in peace and security. Although the proposed solution of this one problem may be less favorable to Italy than that for which your Government has so earnestly appealed, I hope that Your Excellency will appreciate the reasons underlying this decision.

With assurances of my highest regard,
Sincerely yours,

ROBERT A. LOVETT

865.014/12-2848 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, December 28, 1948—1 p. m.

4767. When I saw the Foreign Minister today he said he was well satisfied with his conversations with the French Foreign Minister at Cannes.¹ They had discussed the question of the former Italian colonies and Schuman had confirmed the favorable attitude of the French Government toward Italian trusteeship for Libya and the part of Eritrea remaining after giving Ethiopia access to the sea at Assab as well as Italian trusteeship for Somaliland. Count Sforza said he had several times made an effort to get in touch with the Ethiopian Government. He said he could very well understand the Ethiopian attitude toward Italy because of the actions taken by the Fascist Government but he also felt that the Negus should make some effort to understand the Italian position and he still hoped to find a way to have conversations with the Ethiopian Government.

¹ December 20-21.

Sforza said he proposed to Schuman that Eritrea minus access to the sea be turned over to a united Europe trusteeship as the manner of dealing with that area would be of very deep interest to the western European nations.

Sforza said that the Italians still hoped very strongly that they would be given the trusteeship for Libya and his impression was, after talking with Schuman, that the atmosphere was becoming more favorable to Italy in that regard (refEmbTel 4762, December 24).²

[Here follows information on Italian participation in western defense arrangements.]

DUNN

² Not printed.

THE DISPOSAL OF THE ITALIAN FLEET AND THE RETURN TO THE UNITED KINGDOM AND THE UNITED STATES OF WARSHIPS LOANED TO THE SOVIET UNION DURING WORLD WAR II: THE WORK OF THE FOUR-POWER NAVAL COMMISSION

Editorial Note

WARTIME AND TREATY ARRANGEMENTS REGARDING THE ITALIAN FLEET AND THE LOAN OF BRITISH AND AMERICAN WARSHIPS TO THE SOVIET UNION

Along with the short terms of armistice, signed September 3, and proclaimed September 8, 1943, and the long terms of armistice signed at Malta on September 29, which governed Italy's surrender, there was a memorandum drawn up on September 23, 1943 by Sir Andrew Browne Cunningham, Allied Commander in Chief, Mediterranean, and the Italian Minister of Marine, Raffaele de Courten, which regulated the employment and disposition of the Italian fleet and mercantile marine. The memorandum was not signed but was a "gentlemen's agreement." The amendments agreed upon at Brindisi on November 17, 1943, were, however, signed. For texts of these instruments see *Armistice with Italy, Treaties and Other International Acts Series 1604*, or Charles I. Bevans, ed., *Treaties and Other International Agreements of the United States of America, 1776-1949*, volume 3, pages 769 ff. In general the memorandum provided that the Italian flag would still fly; Italian crews would remain aboard; and parts of the fleet would be used in the service of the Allies.

At the Moscow Conference of October 1943, Foreign Commissar Molotov urged on Secretary of State Hull and Foreign Secretary Eden that the Soviet Union be granted a share of the Italian ships: one battleship, one cruiser, eight destroyers, four submarines, and 40,000 tons

of merchant shipping. For this proposal and its subsequent acceptance by President Roosevelt and Prime Minister Churchill at the Eureka conference (Tehran, November–December 1943), see *Foreign Relations*, 1943, volume I, pages 612 ff., and *Foreign Relations: The Conferences at Cairo and Tehran, 1943*, pages 112 ff.

After the conference, instead of the transfer of Italian ships to the Soviet Union, Churchill and Roosevelt proposed to Marshal Stalin that British and American warships be temporarily transferred to the Union of Soviet Socialist Republics. For these negotiations see Winston S. Churchill, *The Second World War*, volume V, *Closing the Ring* (Boston, 1951) *passim*, and Ministry of Foreign Affairs of the Union of Soviet Socialist Republics, *Correspondence between the Chairman of the Council of Ministers of the U.S.S.R. and the Presidents of the U.S.A. and the Prime Ministers of Great Britain during the Great Patriotic War of 1941–1945* (Moscow: Foreign Languages Publishing House, 1957) volume I, *passim*. Great Britain sent the battleship *Royal Sovereign* and eight destroyers whose arrival on August 24, 1944 was acknowledged by Stalin. Britain also sent four modern submarines.

Meanwhile, by an exchange of letters dated March 30 and April 1, 1944, Ambassador Harriman and People's Commissar for Foreign Affairs Molotov arranged for the delivery and reception of the cruiser *Milwaukee* at a port in the Soviet Union. It was stipulated that the vessel "will be temporarily loaned to the Naval Command, Union of Soviet Socialist Republics, until a replacement from the Italian fleet can be placed at the disposal of the Soviet Union." It was further stipulated: "It is understood that upon termination of the use of the U.S.S. *Milwaukee* in accordance with the foregoing arrangements, the Soviet Government will deliver her, complete with original equipment, to the United States authorities at a United States port, or some other port acceptable to the United States." The ship was transferred at Murmansk during the first part of April. A bilateral document signed by both parties acknowledged the receipt of the cruiser. (Harriman to Molotov, March 30, 1944; Molotov to Harriman, April 1, 1944; Harriman to Vyshinsky, March 31, 1944, in folder marked "Amemb. Moscow—Top Secret 1941–1947" of the Moscow Embassy Files, Lot F-96, Box 43.)

The general arrangements for the Italian Navy were provided in Articles 56, 57, and 58 of the Treaty of Peace. Annex XII, Part A listed the naval vessels (two battleships, four cruisers and lesser craft) to be retained by Italy. Part B listed the vessels to be placed at the disposal of the Soviet Union, the United Kingdom, the United States of America and France (three battleships, five cruisers, seven destroyers,

six torpedo boats, eight submarines and a number of minor war vessels). (Treaties and Other International Acts Series 1648.)

At Paris on February 10, 1947 there was signed by the United States of America, the United Kingdom, the Union of Soviet Socialist Republics and France a *Protocol on the Establishment of a Four Power Naval Commission, the Disposal of Excess Units of the Italian Fleet, and the Return by the Soviet Union of Warships on Loan*. (For text see TIAS 1733, or Bevans, ed., *Treaties*, volume 4, page 306.) The Four Power Naval Commission was to meet in Paris immediately after signature of the Treaty and of the Protocol, and move to Rome upon the coming into force of the Treaty. The Annex to the Protocol giving the allocation of the excess units of the Italian fleet among the Union of Soviet Socialist Republics, the United Kingdom, United States of America, France, Greece, Yugoslavia and Albania was not to be published until a later date.

Editorial Note

WORK OF THE FOUR-POWER NAVAL COMMISSION IN 1947

On February 11, the day after signature of the Protocol, the Four-Power Naval Commission was constituted and held its first meeting. USN Captain Roland F. Pryce, representative of the United States, RN Captain William Yorke LaRoche Beverley, representative of the United Kingdom, and Rear Admiral Gabriel Rebuffel, representative of France, served for the whole period of the Commission, which was dissolved in May 1949. The Union of Soviet Socialist Republics in the Paris meetings was represented by Rear Admiral V. P. Karpunin, but when the Commission moved to Rome in September, his place was taken, until May 1948, by Commodore (Senior Captain) Semen V. Slavin.

At the initial meeting the Commission decided to deliver the Protocol, but without the Annex, to Italy and to Greece, Yugoslavia, and Albania. During the spring the Italian Government named as its representative Naval Captain Ernesto Giurati who explained Italy's interpretation of the terms used in Article 57 of the Treaty but without gaining a clear acceptance by the Commission so that he resigned at the end of May.

Because ratification of the Treaty was still pending, little progress was made at Paris. Reports from the Paris Embassy regarding the meetings held there are found in the Central Files of the Department of State under the number 865.30 but these do not include copies of the minutes (Record of Decisions) for the Paris session, February 11-

May 16, or the documents, 1-43, for the period February 11-May 19. For the Rome period the Department's records are full. Complete records of the Commission are filed in the Classified Operational Archives, Naval History Division, Department of the Navy.

After the transfer to Rome the Department of State, in order to insure coordination of its policies in implementing the Treaty, directed that all communications of the Commission be transmitted to it through the Ambassador and with his comments. United States policy aimed to reduce to a minimum the political reactions unfavorable to the Italian Government and to keep as low as possible the Italian obligation for refitting and repairing the vessels to be transferred. Naval Captain Alessandro Michelagnoli was named Italian representative with the Commission. The United States declined to accept any of the vessels allotted to it and proposed that they be converted into scrap in order to aid Italy's economic recovery. Ambassador Dunn urged that the manner and date of revealing the allocations of the ships should be left to Italy, but that the United States be given prior notice in order to be able to issue a press release of its intention to relinquish claim to its allotted share. The Soviet Government at first opposed the proposal for the conversion of the renounced submarines into scrap, but reversed this stand toward the end of the year.

865.30/1-2448 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, January 24, 1948—5 p. m.

337. Refer to Four-Power Naval Commission document 29/J¹ and minutes of 17 meeting record dated 10 November.² In giving agreement to pass the top secret annex Four-Power protocol of 10 February 1947 to Italian Government on 14 November, British made stipulation that due to British Foreign Office commitments to Parliament they reserve right to publish annex unilaterally if information leaks to public (Department's 141, January 19).³

Italian Government has not seen fit to publish annex officially and

¹This document, not printed, was a letter addressed on December 9, 1947, by Captain Pryce as Chairman (for that week) of the Four-Power Naval Commission to the Italian Foreign Minister, Count Sforza, informing him "that there will be no objection on the part of the Four Governments to publication in the Press by the Italian Government, at its discretion, of the Annex to the Four-Power Protocol signed in Paris on 10th February, 1947." (865.30/12-1847.)

²"Record of Decisions taken at the 17th Meeting held at the French Embassy, Rome, on Monday at 10 a. m. and again at 4 p. m." (November 10, 1947) not printed. (865.30/10-1648.)

³In this telegram, not printed, the Department of State asked if the Italian Government had as yet published the Annex to the Naval Protocol. (865.30/1-1948)

Captain Pryce has been privately informed they do not intend to do so until after all ships have been turned over to civilian yards for transfer to recipient governments. This will not occur for many weeks. In December one Colonna, writing for Rome daily *Il Nuovo* published complete allocations with few discrepancies in minor ships and Colonna's list, which received no denials, has been published in many world papers since including *New York Times*.

British Government, through their representative on Naval Commission, today asked that other three governments agree on a date for simultaneous release by four governments as they would "prefer" not to act unilaterally.

Since the information has already enjoyed undenied publication for over a month main objection to agreeing to British request would be that Italy is still responsible for security of ships under Article 1 of the protocol until transfer is effected.

It would also seem preferable to inform British we have no objection to publication by them, but do not see need for similar action by US. This would avoid Four-Power announcement possibly not desirable at this time.

Please pass to Navy and advise me.⁴

Sent Department as 337, repeated Paris 51, Moscow as 12, London for Embassy and Admiral Conolly as 33.

DUNN

⁴ In telegram 255 of January 29, 1948, not printed, the Department stated it would prefer no publication of the list of ships until such action were agreeable to the Italians in view of their responsibility for security of the ships until transfer. It suggested that the Ambassador urge the British to defer publication, but that if they felt such action were required because of commitments to Parliament, the United States would not join in such action. (865.30/1-2448)

865.30/3-1248 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, March 12, 1948—9 p. m.

1094. Four Power Naval Commission work is subject. As previously reported only two naval ships have yet been transferred to any recipient power. Sloop *Eritrea* and tanker *Tarvisio* were transferred to France under special agreement between Commission and Italian Government whereby France accepted ships delivered without refit by Italian crews.¹ This represented first overture on part of Italians bearing on the below.

¹ In telegram 529 of February 6, 1948, not printed, Dunn reported receipt by the Commission of a letter from the Italian Foreign Office stating that it would publish the Annex on Sunday, February 8th, and would at the same time announce the transfer to France of the *Eritrea* and the *Tarvisio*. The French, he reported, were accepting these ships without overhaul. (865.30/2-648)

Department is already informed that strong representations have been made by Italian Government to French Government asking latter to follow lead of US and UK in renouncing ships. Italy would then in bilateral negotiations agree to make restitution for seizures of French ships in Toulon and all recriminations would be dropped. French Government unable agree renouncement as under terms Four Power protocol renounced warships must be scrapped or sunk. They have however expressed willingness to negotiate under different approach. To this end Pryce has been given following information by Admiral Rebuffel, French member of Commission :

French Embassy Rome has been authorized approach Foreign Office along these lines :

a. Italy has estimated that \$16 million is required to refit all ships of annex XII B to be transferred, 7 million of which is for French allotment. There is every indication this money will not be appropriated in near future.

b. France will ask Italy to appropriate as soon possible only 1 million to make necessary voyage repairs necessary get ships to France where latter would effect refits at own expense.

c. Two governments would execute commercial agreement at same time whereby Italy would supply necessary spare parts, certain deficiencies raw material and technical assistance.

d. Mr. Bidault is expected bring up this subject in forthcoming conversations with Count Sforza at Turin.

In general relation to above Pryce reports that progress and trend of Commission's deliberations and private conversations he has had with Admiral Mauger² indicate that for political and financial reasons no further transfer of ships will take place prior elections. Present government will not accept responsibility. French are making every effort obtain early deliveries. Yugoslavs have asked to send technical inspectors Italy with view of accepting some ships immediately without refit. Greeks also wish inspect cruiser *Savoia* with view of accepting ship with only voyage repairs subsequent two year refit to be arranged bilaterally later. Soviets, while not relinquishing any claims for complete refit, are not pressing for delivery but deferring demands under cloak of disagreements in Commission.

Commission now in virtual agreement with Italians in regard general methods of transfer and in inspections and trials to precede transfer. Salient points under methods of transfer include :

(*a*) Ships to be stricken from Navy list prepared by civilian yards and delivered by Italian civilian crews with ceremony.

(*b*) Numbers of observers and inspectors to be permitted enter

² Adm. Francesco Maugeri, Chief of Staff of the Italian Navy, January 1947–November 1948.

Italy in civilian dress agreed upon for each power. (Russians had originally demanded entry full naval crews of recipient power and full dress turnovers in Italy later reduced demands to 300 civilians. They will be permitted 110.)

(c) Ports of delivery agreed upon for France, Salins d'Hyeres or Toulon; Greece, Keratsini; for Yugoslavia, Spalato; for unrenounced ships of UK, port to be decided later. Soviets have asked for delivery Odessa which out of desire get ships out of Mediterranean after transfer, Italians have agreed to subject to satisfactory arrangements regarding guarantees for prompt repatriation Italian personnel and provisions for replenishment of fuel, lubricants, stores during long voyage.

(d) Limited number Italian instructors to remain in Soviet ships after transfer subject to private arrangement with shipyards and approval by Italian Government.

Matter of progress destruction of submarines and renounced warships will be subject of separate telegram.³

Captain Pryce requests pass to CNO.

Sent Department as 1094, repeated Moscow as 29, Paris 149, London and Admiral Conolly 109.

DUNN

³ In telegram 1131 of March 15, 1948, not printed, Dunn reported that the work of dismantling the battleships *Vittorio Veneto* and *Italia* at La Spezia was proceeding very slowly (865.30/3-1848).

In telegram 1201 of March 18, 1948, not printed, Dunn reported regarding the scrapping of the 31 Italian submarines, with minimum destruction to be completed by April 15, and the planning for arrangements for inspection by the naval advisers (865.30/3-1848).

865.30/5-1348 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET URGENT

ROME, May 13, 1948—9 p. m.

2176. The Four Power Naval Commission has been unable to coordinate any physical supervision of scrapping renounced warships by Italians. While three powers are in agreement that paragraph 2 (B) of naval protocol implies such supervision Soviet member has asked for adjournment of discussion on this point until time limit expires 15 June when vessels must be sunk if not reduced to state described in Embtel 300.¹ Naturally Soviets would prefer that US and UK

¹ In this telegram of January 21, 1948, not printed, Dunn reported that the four Ambassadors had informed the Italian Foreign Office that responsibility for supervising the scrapping of the warships renounced by the U.S. and the U.K. was within the competence of the Four Power Naval Commission and asked for the arrangement of facilities. Meanwhile the Commission, realizing that complete scrapping by June 15 was not possible, had drawn up a list of actions on hull, machinery, armament and electrical systems which would constitute "minimum destruction" to be achieved by April 15. (865.30/1-2148)

should derive no further credit for our generous gesture of renouncement and Soviet interests would be best served by requiring that vessels be sunk on June 15.

Inasmuch as we are bound by agreements and are virtually certain to have no support from French or British in sponsoring modification in requirement that non scrapped vessels be sunk, I feel that while there may still be time, if you agree, I should make our position plain to Foreign Minister along these lines:

In connection with Department's message which I delivered to Sforza on October 6² our government declined to accept its share of the excess Italian Navy by invoking Article 2 (B) of the Four Power protocol and in so doing were motivated by a desire that Italy should dispose of these ships herself. We also felt that Italian economy would benefit by this action.

In order to allow Italy time for complete scrapping we sponsored a list of "minimum destruction" that would satisfy the four governments on June 15 that the military potential of the ships had been destroyed. My information is that Italy has not yet accomplished reductions outlined to any considerable extent and we feel it opportune to forewarn Italian Government that we cannot be expected to depart from agreements we have with other three powers and with Italy that non scrapped warships that have been renounced must be sunk on 15 June.

Because of time element very early instructions are requested (see Embtels 1670³ and 1923⁴).

Captain Pryce requests pass to Navy.

Sent Department 2176, repeated Paris 274, Moscow 58, London 192.

DUNN

²The Department's telegram 1879 of September 30, 1947, not printed, directed Ambassador Dunn to inform Count Sforza that the United States had determined to decline any share of the Italian fleet (865.30/9-3047).

³In this telegram of April 12, 1948, not printed, Dunn reported having learned that the French Embassy in Rome believed that Italy would ask for a general revision of the treaty's naval clauses, but that France would vigorously oppose such action, particularly the retention by Italy of any modern battleships (865.30/4-1248).

⁴In this telegram of April 24, 1948, not printed, Dunn reported several recent indications that the Italian Government was seriously thinking of trying to avoid the scrapping of the battleships *Italia* and *Vittorio Veneto*, but that he was convinced that neither the French nor the British would approve, and certainly not the Russians after the Italian elections (865.30/4-2448).

865.30/5-1448: Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET URGENT

ROME, May 14, 1948—9 p. m.

2207. As previously reported, Soviets have consistently refused to discuss return of warships on loan to Russia until "there shall have been full clarity in regard to transfer of excess Italian ships to Russia."

In interest of other powers US and UK members of naval committee continued to discuss all problems connected with Article 57 until agreement was reached on text of a document titled "General Methods of Transfer". This paper when transmitted to Italian Government will provide for general procedures in connection with transfers such as: (a) Provision that ships to be prepared by civilian yards and turned over in agreed ports outside Italy by civilian crews. (b) Number of recipient power specialists to be permitted in Italy for purpose of inspection and to accompany ships to ports of transfer. (c) Extent of inspections and trials. (d) Ports of transfer. (e) Responsibility for supply of fuel and stores, repatriation of crews, etc. Document was considered by me to embody sufficient detail regarding transfer of ships to supply "full clarity" in connection with transfers to Russia. I therefore instructed Pryce three weeks ago not to agree to its transmittal to Italians until Soviets were willing to enter into discussions on return of loaned ships under Paragraph Nine of naval protocol.

French are very anxious to have document transmitted as Italians will then have no excuses. Yugo and Greek interests are also involved.

Russians have now been instructed that they may enter into discussions on return of loaned ships but have asked that document under discussion be passed to Italians without waiting for agreement on details of returning loaned ships.

Inasmuch as we still hold veto on naming dates for transfer of any ship to USSR and unless otherwise instructed by Tuesday next, we will agree to pass document to Italians if first exchange of views on Part II of protocol indicates good faith.

I propose to have Captain Pryce ask that *Milwaukee* proceed to a port in US on same date Russian assigned cruiser *Duca D'Aosta* leaves Italy for Odessa. Also that we be given option of placing a few observers aboard for voyage if we wish.

Captain Pryce asks pass to Navy and ascertain port of delivery desired by CNO for *Milwaukee*.

Sent Department 2207, repeated London for Embassy and Admiral Conolly 198, Paris as 279 and Moscow as 59.

DUNN

865.30/5-1548 : Telegram

The Secretary of State to the Embassy in Italy

TOP SECRET URGENT

WASHINGTON, May 15, 1948—3 p. m.

1386. Deptel 1137 Apr 20.¹ Although SANACC sub-committee report which recommends Italy be urged proceed scrapping battleships

¹ In this telegram, not printed, the Department informed Dunn that his telegram 1670 of April 12, 1948 had been referred to the SANACC Sub-Committee for Europe (865.30/4-1248).

For telegram 1670, see footnote 3, p. 976.

without further delay, has not yet been formally approved, Dept believes there is general agreement sub-committee's findings.

In view this general approval and time element involved Dept agrees you shd now make plain to FonMin US can not be expected depart from agreements with other three powers re disposition renounced naval units (ur 2176 May 13). You shd emphasize renunciation was decided upon by US as gesture support Ital Govt and contribution Ital economy; that Dept is disappointed Itals have not taken effective steps carry out their obligation; and that unless Itals take immediate and effective steps this direction US must either reclaim vessels (which we feel must be given consideration in view critical scrap needs) or insist with other three powers that ships be sunk June 15 in accord protocol provisions.

Ital Emb has just approached Dept informally re implementation naval clauses, raising question transfer allocated ships to France and possibility substitution newer battleships for *Duilio* and *Doria* (ur 1923 Apr 24²). We are making clear Dept not prepared support revision protocol to permit substitution since other powers certain to oppose and because from practical point of view no real justification for retention *Italia* and *Vittorio Veneto*. Although Emb suggested transfers to France would encourage demands USSR and other recipients for immediate delivery their allocations, we are expressing opinion every effort shd be made expedite transfers to France, pointing out further procrastination will only lead to misunderstandings and recriminations at time close collaboration all western European powers important.³ We therefore urge unpleasant matter of naval transfers be concluded earliest possible, indicating we see no possibility avoid eventual transfer USSR and delays in other transfers already raising question whether Itals willing carry out commitments in good faith.⁴

MARSHALL

² See footnote 4, p. 976.

³ In telegram 2494 of May 10, 1948, not printed, Ambassador Caffery reported from Paris that the French Government was becoming increasingly irritated with Italian "procrastination" in turning over the vessels which France was scheduled to receive. One French official opined that "it is not possible seriously to discuss or even consider Italy's incorporation in a western European defense system until Italians make firm arrangements for delivery to France of the vessels which latter needs." (865.30/5-1048)

⁴ In telegram 2269 of May 18, 1948, not printed, Dunn reported that Sforza had asked him to call and explained that he had been disturbed to learn that the Defense Ministry had apparently been responsible for failure to initiate the minimum destruction agreed on. Sforza had taken the matter up with De Gasperi who had issued strict orders that the work begin immediately. (865.30/5-1848)

865.30/6-2448 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, June 24, 1948—7 p. m.

2763. Refer to Embtel 2671.¹ After one week during which Captain Pryce refused discuss return of *Milwaukee* in United Kingdom port, Soviet member has agreed deliver vessel in Lewes, Delaware, concurrently with receipt of Italian cruiser in Odessa.

Following Soviet Ambassador's return from Moscow, Soviet member of Naval Commission has just introduced proposal to accept 33 out of 45 Italian naval ships without refit, delivery to be effected by 15 August. List contains all important ships. As I see no way of avoiding passing this request to Italian Government, I have authorized Pryce to agree in commission after details on return of all US and UK ships on loan have been settled.

Meanwhile private French Italian conversations are proceeding amicably and it is hoped solution will be reached before Russian proposal is received. French will renounce all refits and probably some of ships allocated.

Greek Minister is urgently recommending to his government that they accept cruiser *Savoia* with voyage repairs, refit to be accomplished through bilateral agreement later.

Captain Pryce requests pass Navy.

Sent Department 2763, repeated London 244 for Admiral Conolly, Paris 377, Moscow 73.

DUNN

¹ In this telegram of June 17, not printed, Dunn reported that Captain Pryce had stated the U.S. wish that the cruiser *Milwaukee* be delivered at Lewes, Delaware, but that the Soviet representative had proposed her delivery to a port on the east coast of England, and that the return of the British and U.S. vessels loaned to the U.S.S.R. be simultaneous with the receipt of Italian vessels, type by type (865.30/6-1748).

865.30/7-948 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

TOP SECRET URGENT

ROME, July 9, 1948—4 p. m.

2934. Guidotti (new director political affairs) called on us yesterday regarding recent *note verbale* from Four-Power Naval Commission transmitting French and Soviet requests for transfer (see my 2763,

June 24) naval vessels without refit. Guidotti expressed great concern which he said was shared throughout the whole government over this development. He said the communication had come as somewhat of a surprise because Italian negotiations with the French were proceeding most satisfactorily and it was hoped that they would reach mutual agreement within next few days whereby French would renounce about twenty-three units and accept balance without refit by a specified date.¹ During these negotiations French, according to Guidotti, had told Italians that they would not have to push claims of the others if agreement with the Italians on part of the French could be reached. Moreover Italians had been counting on American and British insistence on simultaneous return of US and British vessels held by Soviets. We pointed out that Soviets had now agreed to satisfactory arrangements for return of US and British vessels. Guidotti emphasized tremendous furor would arise throughout country over the sending to Russia of 33 Italian naval vessels and said the government would be severely criticized and attacked on all sides. He inquired whether there was any way at all US could help to postpone this issue. He said there was a large element in the government who were utterly opposed to giving any ships to Russia under any circumstances. We said that we did not see how we or the other two powers as signatories of the treaty could avoid concurrence with the Soviet request as it came clearly within stipulations of the treaty (a course which we could not support) or a serious effort to reach agreement with the Russians and their demands based on treaty. We pointed out that at least Russians had now finally agreed to accept major portion of their vessels without refit.

Guidotti then referred to a telegram which the Italian Ambassador in Ankara had sent Foreign Office to effect that Turkish Government was greatly concerned over prospect of transfer of these 33 naval vessels to Odessa and their effect on balance of naval power in Black Sea. According to Guidotti the Turks claimed that if these 33 vessels were in fact handed over to Soviets then Turks would have to request United States for 33 naval vessels for defense of Turkey.

¹ In telegram 2961 of July 11, 1948, not printed, Dunn reported that on the evening of July 10 he had received a copy of the text of the Italo-French agreement providing for final settlement of French claims under the treaty, to be published on July 17. The French renounced the cruiser *Pompeo Magno*, two submarines, a tanker and 19 smaller units. (865.30/7-1148)

In conclusion Guidotti asked whether United States would be disposed to make some official statement of approval at time of successful conclusion of their negotiations with France. He submitted the following for possible consideration :

“Allied peace treaty with Italy provides for the handing-over of a certain number of units of the Italian Navy to France. While considering the feelings of the Italians the USA well understands the reasons why France could not renounce, as we did, all the Italian ships allotted to her. Therefore an agreement signed by the two countries is cordially welcome here.

“The Italian people are also aware that according to Article 46 of the peace treaty, as soon as their country joins UNO—and certainly the USA cannot be held responsible if this has not already taken place in agreement with the Security Council, consideration may be given to revision of the military limitations set forth in the treaty. On that occasion the USA not having forgotten indeed the gallant contributions of the Italian Navy to the common cause, shall be ready to consider with sympathy such demands concerning her needs that Italy might then put forward.”²

We replied that we were not, of course, in a position to make any comment but would transmit Foreign Office suggestion to Department for its consideration. We are aware that second paragraph in Italian proposed statement may be untimely but venture to suggest that some consideration might well be given to a modification of it somewhat along the lines of my 1930³ of April 24. In any event immediately after French-Italian agreement is made public a statement by a responsible official of US welcoming that French and Italians have gotten together amicably on this naval question and reached a solution satisfactory to both sides could not but be helpful here. Still more helpful to government would be an expression on our part of a desire to see further revisions amicably agreed to by the powers directly concerned.

DUNN

² In telegram 1870 of July 13, 1948, not printed, the Department instructed Dunn that it considered a U.S. statement on the purely Franco-Italian matter inappropriate, but that after publication of that agreement, some spokesman of the Department might observe that the U.S. Government was pleased to see an amicable and generous settlement of the problem (865.30/7-948).

³ In this telegram, not printed, Dunn mentioned that the question of Italy's relationship to Western Union would now come up, since those responsible for leadership of the government were inclined toward entry into the Western European group, and he mentioned several facets of the problem (840.00/4-2448).

865.30/7-2448 : Telegram

The Chargé in Italy (Byington) to the Secretary of State

TOP SECRET

ROME, July 24, 1948—1 p. m.

3146. See mytel 3013 July 14.¹ Immediately after four power naval commission's *note verbale*² was delivered to Italian Govt Soviet Ambassador here addressed top secret letter to Italian Govt which was shown to us by FonOff. Soviet letter contained proposals for bilateral agreements within terms of commission's decisions which would serve to set in motion such details of transfer as dates of sailing for Odessa and responsibilities for voyage supplies repatriation of Italian crews etc.

Today Guidotti Director of Political Affairs strongly reiterated arguments reported our 2934 July 9 and gave me a copy of FonOff reply to Soviet Ambassador's letter. In this long reply FonOff points out that out of consideration for cobelligerency of Italy in late war US and UK govts decline to accept any of naval ships allocated to them in treaty of peace; France has recently agreed decline over 15,000 tons of ships allocated to her and to accept remainder of her allocation as restitution for war losses inflicted by Italy particularly during occupation of Toulon. Note points out that while considerable

¹ In this telegram, not printed, Byington reported that the four Ambassadors had each received identical acknowledgements of the Four Power Naval Commission's *note verbale*. In the acknowledgement Sforza explained that the substance had been referred to the competent technical groups to provide a basis for reply; but he suggested that because of the limited time it might not be possible to observe some terms of the *note verbale*. (865.30/7-1448)

² This *note verbale* to the Italian Ministry of Foreign Affairs from the Four Power Naval Commission, acting in the name of the four Ambassadors, July 3, 1948, recapitulated the various concessions made to Italy resulting in the reduction of the number of vessels to be transferred to 107. It stated that if Italy had taken appropriate measures after being informed on November 19, 1947, of the names of such ships, over 80 would already have been transferred, but only two units had actually been transferred. It stated further:

"The refit of certain units listed in Annex XII-B to be transferred has been renounced by France and Yugoslavia (French Delegate's request dated February 17th, 1948, and Yugoslav Representative's request dated March 17th, 1948); now the Soviet Union renounces the refit of 33 units and France the refit of all units allocated to her. The Commission thinks that no valid reason can be set forth for delaying the transfer of these ships, and, using the powers conferred on it by Article 57, Clauses 1(c) and 2, sets the following last time limit for their delivery:

for the Yugoslav request..... 20th July, 1948

for the 33 ships of Soviet share and the whole

French share..... 15th August, 1948."

The note proposed further for the remaining ships to be transferred that the Italian Government: (a) grant visas for Observers and Specialists to be sent by the recipient powers to determine the technical conditions; (b) after such examination to send ships to their respective ports of final transfer within 15 days after the naming of the ships; (c) that such ships as would not be named under "(b)" be placed immediately into refit and prepared for transfer in accordance with the guidance already given by the Commission. (4 Amb. (4 P.N.C.) Doc. 71/M, Serial 00447, 865.30/4-748)

naval losses on part of above three govts could be attributed directly to Italian navy no such losses were sustained by USSR at hands of Italian navy.

Reply also recalls that early in 1948 through its Embassy in Moscow Italian Govt made proposal to Soviet Govt to effect that latter might diminish her claims under article 57. It also pointed out then that such action on part of Soviet Govt would have a very beneficial reaction in restoring and improving relations between two govts.

Soviet Govt could not see its way clear to accept Italian proposals at that time. Letter ends by stating that since Soviet Govt now proposes bilateral discussions in regard to article 57 Italian Govt has no objection to entering into such discussion but asks that Soviet Ambassador here will first make representations to his govt that they may reconsider Italian approaches which were made through Italian Embassy in Moscow earlier in year.

Above FonOff action obviously represents a stall for time while Italian Govt can be thinking of other alternatives. One alternative which Guidotti mentioned to me this morning was possibility that govts of Great Britain and United States might agree to permit Russia to retain ships on loan in lieu of receiving Italian ships which would be scrapped, proceeds of scrapping to go to UK and US. We were not asked to obtain our Govt's reaction to such proposal if it should be made and did not express any views but pointed out that *Milwaukee* probably could not be disposed of in this fashion without Congressional authority. We had previously been informed that soundings on this subject were made by Italian representative in recent Franco-Italian naval discussions in connection only with battleships *Cesare* and *Royal Sovereign*. This sounding was passed to US and UK members of naval commission but no opinion as to their govt's reaction to such a proposal was given.

Captain Pryce requests that this be passed to Navy (London for Admiral Conolly).

Repeated London 203, Paris 474.

BYINGTON

865.30/8-348 : Telegram

The Chargé in Italy (Byington) to the Secretary of State

SECRET

ROME, August 3, 1948—noon.

3267. Subject: Submarine and battleship scrapping.

Letters, copies of which are being forwarded by mail,¹ from Sforza dated 28 July state destruction required by "minimum destruction

¹ Despatch 1183 of August 3, 1948, not printed, forwarded translations of these letters to the Department (865.30/8-348).

lists" for 31 subs under article 58 paragraph one (C), and 4 subs renounced by US and UK had been effected by 15 April and 15 June respectively and that "minimum destruction" on battleships *Vittorio Veneto* and *Italia* has been accomplished. Complete demolition continues on all.

London for Admiral Conolly. Please pass Navy.

Sent Department 3267; repeated Paris 508.

BYINGTON

865.30/8-548

Memorandum of Conversation, by the Chief of the Division of Greek, Turkish, and Iranian Affairs (Jernegan)

CONFIDENTIAL

WASHINGTON, August 5, 1948.

Subject: Turkish Interest in Transfer of Italian Naval Vessels to the Soviet Union.

Mr. Esenbel¹ called to confirm certain information given Mr. Berkol, Second Secretary of the Embassy, by Mr. LeBreton. He said that Mr. Berkol was not familiar with these matters and he wished to be quite sure that he had fully understood what Mr. LeBreton said. I said I understood that he had particular reference to the impending transfer to the USSR, as reparations, of thirty-three Italian naval vessels, a subject he had discussed with Mr. Satterthwaite last week. We had taken this up with the Division of Southern European Affairs, and our conclusion was substantially as follows:

1. The obligation to deliver the vessels in question arose from the Italian Peace Treaty, which was a binding international document, and the Department could see no way in which it could relieve the Italian Government of its obligation. We understood that the Italian Government might make one further attempt to avoid delivery or at least delay it, and it was of course in the interest of Italy to do so. We would not raise objection to this, and we considered it unnecessary to make any approach to the Italian Government in view of the circumstances.

2. I was told that upon receipt of the Italian ships, the Soviet Union would be obliged to return a cruiser to the United States and a battleship and certain cruisers to Great Britain. Consequently, it did not appear that the strength of the Red Fleet would be increased by the Italian transfer. Many of the Italian vessels involved were auxiliaries, not combat ships, and the two battleships were more or less obsolete.

3. It did not seem to me that the fact that the Italian vessels would

¹ Melih Esenbel, Turkish Chargé d' Affaires.

be delivered in the Black Sea made any change in the situation. If the Soviets wished to reinforce their Black Sea fleet they could always do so by moving ships from the Baltic.

4. Soviet insistence on obtaining the Italian vessels would certainly be bad propaganda for the USSR in Italy, in view of the fact that the other major powers had largely renounced their right to receive Italian warships as reparations.

865.30/8-1948 : Telegram

The Chargé in Italy (Byington) to the Secretary of State

SECRET

ROME, August 19, 1948—7 p. m.

3416. Referring to Embtels 3197¹ and 2975,² the following Italian ships have not [now] been transferred without refit to France:

Sloop *Eritrea*; tanker *Tarvisio*; light cruisers *Regolo* and *Scipione*; destroyers *Mitsagliere*, *Legionario*, *Velite* and *Ortani*; tugs *Ercole*, *Nereo*, *Porto Quieto*, *Porto Tricase*, *Vado* and *Taormina*. Greece has received water carrier *Aterno* without refit. Seven minesweeps are in process of being delivered Yugoslavia without refit now. Continued Italian stalling in connection transfer of ships to Russia has resulted in extreme Soviet indignation since no progress has yet been made bilaterally to reach agreement. As it stands now the Italians as previously reported, have merely asked the Soviet Government to consider renouncing part or all of their share.

The Soviet member is demanding that Naval Commission recommend Ambassadors take corrective action and in this connection has cabled a proposed letter to be signed by all four Ambassadors.

Turnover of Russian ships is linked in protocol with return of loaned US and UK ships and Department's views have been expressed directly to Italians that we see no way of avoiding Russian transfers.

The Soviet proposed letter is factual and would extend to 15 September the date for delivery of 33 ships without refit but is couched in harsh, rude and undiplomatic language.

If Department considers that we must associate ourselves with a concerted protest at this time we will insist that such protest be drafted in courteous diplomatic language. Please instruct earliest.

Captain Pryce request pass to Navy (London for Admiral Conolly).

Sent Department 3416; repeated Paris 53, London 309, Moscow 89.

BYINGTON

¹In this telegram of July 29, 1948, not printed, Byington reported that the Italians had transferred two destroyers and four tugs to France; that they had agreed to transfer seven motor mine sweepers to Yugoslavia; and that the Soviets had addressed a new note to Italy regarding their share (865.30/7-2948).

²This telegram of July 12, 1948, not printed, summarized the Italo-French naval agreement to be signed on July 14 (865.30/7-1248).

865.30/9-2148 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, September 21, 1948—6 p. m.

3754. Recent trends Naval commission deliberations indicate that Soviets may be attempting build up case for accusing Italy before UN of breach treaty of peace with backing of US, UK, and France. Refer to Embtel 3614.¹

Commencing September 9 just after Tass news agency radio and press accusations that Italy guilty of failure execute treaty terms US followed next day by UK and French members commission stated they had repeatedly associated themselves with four power action but had and still insisted such action must be reasonable and communications addressed Italian Government in courteous terms. All stated their Ambassadors prepared sign suitable note to Italian Government requesting further delays be avoided where mutually satisfactory bilateral agreements are not indicated. Three members agreed Soviet proposed note generally unacceptable because it pertains almost entirely to Soviet allocation of ships; is obsolete since receipt of Foreign Office note mentioned Embtel 3614 and is couched in extremely undiplomatic language. British member with French concurrence proposed US chairman submit alternate draft for consideration commission. Soviet member insists his original draft be taken as sole basis of discussion and gives impression he would not be unhappy if his proposal were flatly rejected. Others while not rejecting certain substance of Soviet draft insist on new draft either to be basis of discussion or to be discussed concurrently and on same basis as Soviet draft.

US position is recorded in two meeting records.

Meanwhile, Soviet member refuses discuss Italian note (Embtel 3614) stating that letter is not reply to commission's *note verbale* of July 3² is directed almost entirely at Soviet Union and is irrelevant to proposed note from four Ambassadors to Italian Government.

Please advise if further information desired. Should matter be brought up in UN and Capt. Pryce's presence Paris desired he can proceed without delay leaving Comdr. Loomis to represent US in commission meetings.

Please pass to Navy. Repeated London for Admiral Conolly.

Sent Department, repeated Paris 589, Moscow 92, London 327.

DUNN

¹ In this telegram of September 8, 1948, not printed, Dunn forwarded to the Department a summary of the note to be sent that day by the Italian Government to the four powers in response to the note of the Naval Commission of July 3 (865.30/9-848).

² See footnote 2, p. 982.

865.30/7-2848 : Telegram

The Acting Secretary of State to the Embassy in Italy

SECRET

WASHINGTON, September 22, 1948—4 p.m.

2381. Ur 3203 July 28 re replacement lost vessels Annex XII B Naval Protocol,¹ in view questionable legal validity Ital contention para three Art 57 not applicable vessels lost period bet signature and coming into force Treaty, and fact we have already associated ourselves Commission's rejection Ital position, you shd take no action Deptel 1979 July 27.²

When Itals or member Comm again bring up matter we consider Pryce shd make plain to Comm we believe Ital position morally justified despite probable legal obligation replace lost vessels regardless cause. He shd state view vessels not lost due sabotage or negligence but in course entirely legitimate and proper operation and that it difficult justify what would amount punitive action against Itals shd Comm persist in demanding replacement from vessels Annex XII A. He shd further urge Comm agree not press Itals this point.

LOVETT

¹ In this telegram, not printed, Byington stated that article 57 had been inserted in the treaty to discourage sabotage; that the Embassy had considered that on September 16, 1947 Italy's obligation became effective to replace any craft lost after February 10, 1947. He stated also that the Embassy joined in naval commission's unanimous rejection of the Italian position, but it would reverse its position on instruction from the Department. (865.30/7-2848)

² In this telegram, not printed, the Department stated its initial opinion that the Italian position was legally valid, that is that Italy was not obligated to replace vessels nonexistent at the time the treaty came into force (865.30/7-748).

865.30/10-948 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, October 9, 1948—1 p. m.

3941. Before his departure from Rome today for a few days in the north, Count Sforza asked me to see the Secretary General of the Foreign Office. Count Zoppi referred to fact that in the negotiations which La Malfa has been carrying on in Moscow in addition to difficulties in connection with the discussions of a commercial treaty the Soviet Government introduced a demand for the transfer of the naval ships assigned to them under the treaty.

Zoppi said La Malfa feels that, if the Italian Government must turn over the ships, some advantage might be gained by bringing the question of the transfer into the general discussions he is carrying on. Prime Minister therefore asked Foreign Office to find out from us whether there was any change in the attitude we have maintained thus far, that the treaty should be strictly adhered to; any change which might have been brought about by recent or pending events.

I told the Secretary General that there had been no change in our attitude on this question, and that we had as recently as within the last few days received instructions to join with the other members of the Four Power Naval Commission in a new note to Italian Government on the subject of this transfer, provided the language was courteous.¹ I told the Secretary General that the Four Power Naval Commission were now discussing the language of this new note.

Count Zoppi then said that the Italian Government would very likely authorize La Malfa to discuss the matter of this transfer when he returned to Moscow. His present plan is to depart from Rome next Monday. He then asked that we do anything that we can in the Naval Commission to delay matters until La Malfa can negotiate discussions on the matter in Moscow in order that the Italian Government may be in a position to inform the Four Power Naval Commission that they have resumed bilateral discussions with the Soviet Union.

I said that I had just talked with Captain Pryce and he had informed me that the discussions on the new note were now progressing on the basis of a draft presented by the Soviet member, and that if agreement were reached in Four Power Naval Commission we had no choice other than to present the note to the Italian Government. I said it was my impression that there would not be agreement on the language of the note within the next week.

Paris pass to DelGA.

Sent Department 3941, repeated Paris 619, London 338, Moscow 97.

DUNN

¹ In telegram 3788 of September 24, 1948, not printed, Dunn reported that the Soviet member of the naval commission had withdrawn his initial draft letter and tabled a new draft to be addressed by the Naval Commissioner to the Italian Government in reply to its note of September 9th. Dunn stated that in view of the Department's previous instructions he was authorizing Captain Pryce to associate himself with a mutually agreed letter, but to urge that the Italians be asked regarding proposed dates of delivery because of technical considerations. (865.30/9-2448)

In its telegraphic instruction 2427 of September 27, not printed, the Department approved the procedure which Dunn had set forth (865.30/9-2548).

865.30/11-1048 : Telegram

The Ambassador in Italy (Dunn) to the Secretary of State

SECRET

ROME, November 10, 1948—9 p. m.

4282. Soviet member today informed Naval Commission that on 6 November agreement was reached Moscow concerning dates of delivery 33 Soviet allocated naval ships.¹

Italian proposals agreed upon were almost identical with those pro-

¹ In telegram 2579 of November 6, 1948, not printed, Ambassador Smith in Moscow reported having learned from the Italian Ambassador (Manlio Brosio) that agreement in principle had been reached by exchange of notes (865.30/11-648).

posed by Italian representative Naval Commission on 13 October and rejected by Soviets here (see Embtel 4007 to Department).

First group of ships consisting of (BB) *Giulio Cesare*, (DD) *Artigliere*, and Subs *Nichelio*, *Marea* are to be delivered by 15 January; second group (CL) *Duca d'Aosta*, (TBs) *Animoso* and *Fortunale*, Training Ship *Colombo*, by 1 March; third group, small transport *Montecucco* loaded with spare parts and ammunition, by 1 June; fourth group (DD) *Fuciliere* and (TB) *Ardimentoso* by 1 July; fifth group consisting of remaining minor craft, by 1 June: All deliveries in Odessa.

Matter of spare parts and armament store not covered in agreement.

Coordination return of loaned ships will be negotiated here by three interested members Naval Commission. It may be tentatively assumed *Milwaukee* will be delivered Lewes Delaware on same date *Duca d'Aosta* is delivered Odessa, between 15 January and 1 March, in accordance with agreement previously reached between US and Soviet representative.

Please pass to Navy.

Repeated Moscow 104, Paris 675, London for Admiral Conolly.²

DUNN

² In telegram 4679 of December 17, 1948, not printed, Byington reported from Rome that the Italian Government, in implementing the agreement with the U.S.S.R., intended to send the battleship *Giulio Cesare* and three other vessels to Odessa, and was requesting the Turkish Government for clearance of passage through the Straits (865.30/12-1748).

865.30/12-1748: Circular telegram

*The Acting Secretary of State to Certain Diplomatic Missions*¹

SECRET PRIORITY

WASHINGTON, December 28, 1948—9 a. m.

Turk Emb here has confirmed reports that Turk Govt's present intention is to invoke Montreux Convention² (Arts 10, 11 and 14) to bar passage thru Straits of 23,000-ton battleship flying Italian flag (Rome's 4679 Dec 17,³ Ankara's 888 Dec 18,⁴ Moscow's 3027 Dec 27).⁵ Therefore if Turkey should notify signatories that such passage contravenes

¹ Ankara, Rome, Moscow, and London.

² Convention Regarding the Regime of the Straits, signed at Montreux, July 20, 1936. For text see League of Nations Treaty Series, vol. CLXXIII, p. 213.

³ See footnote 2, above.

⁴ In this telegram, not printed, Ambassador Wadsworth reported having learned that the Italian Ambassador (Renato Prunas) had suggested that the *Giulio Cesare* and the two Italian submarines fly the Italian commercial flag in passing through the Straits. Carim, Secretary General of the Turkish Foreign Office, had termed this a simple subterfuge which Turkey could not accept. (865.34/12-1848)

⁵ In this telegram, not printed, Kohler reported that the Italian Ambassador had told him of having been informed that the Turks intended to oppose the passage of "Italian reparations naval vessels, particularly battleships" through the Straits (865.30/12-2748).

Convention, Italians would presumably inform 4-power naval Commission they unable carry out Commission's arrangements for delivery *Cesare* to USSR at Odessa. Dept understands Turk desire adhere strictly and literally to terms of Convention. Furthermore considers highly undesirable for many reasons summoning of conference and bringing matter to vote of high contracting parties under Art 29, as suggested in Rome's 4679.

Brit FonMin has instructed Emb here that although Turkey's legal position is technically unassailable, it would be most unfortunate to upset at this stage arrangements which have at last been made for delivery of ships to Russia. Brit believe also (in line with Moscow's 3027) that Turks would be well advised to find some way around the legal difficulty in order to avoid presenting Soviets with opportunity to reopen whole question Montreux Convention in acute form.⁶

Brit therefore propose recommending following procedure to Turks: Since Turks under Art 24 are required notify signatory powers when they themselves are notified of intended passage of warships thru Straits, they could at same time point out passage *Giulio Cesare* technically in conflict with provisions of Convention, but since all ships could have transited legally under Soviet flag, since they are already Soviet property, and since they will be transferred to USSR immediately upon arrival Odessa (and could indeed have been transferred before passage Straits), there is clearly no substantive violation Convention involved. Turks could add that in these circumstances they propose raising no objection unless other signatories see fit to do so by a given date.

Dept has agreed this procedure and Brit Amb Ankara will be instructed act in conformity therewith. For Ankara only: If you and your Brit colleague believe joint action desirable, you are authorized concert with him in urging Turks adopt this course of action.⁷

LOVETT

⁶ For Soviet Russia's efforts to bring about a revision of the Montreux Convention following the end of World War II, see *Foreign Relations*, 1946, vol. VII, pp. 801-899.

⁷ In telegram 3120 of December 29, 1948 to Rome (repeated as 605 to Ankara, 1427 to Moscow, 4797 to London) not printed, the Department instructed Dunn to suggest to the Italian Foreign Office that it postpone formal notification to Turkey of the proposed passage of the battleship *Cesare* through the Straits until satisfactory arrangements were reached with Turkey for such passage (865.30/12-2948).

On December 30, 1948 in telegram 606 to Ankara, not printed, the Department advised that the day before (i.e. December 29) the Turkish Embassy had informed the Department that the Turkish Government had already received formal notification from Italy and from the U.S.S.R. of the proposed passage of the warships under the Italian merchant flag and that such a subterfuge was not possible under the (Montreux) Convention. The Department's instruction of December 28, however, still stood. (865.30/12-3048)

In telegram 8 of January 5, 1949, not printed, Wadsworth reported from Ankara that he had presented an appropriate *aide-mémoire* to the Turkish Foreign Office. The Turks, he stated, did not oppose passage of these ships but their flying the Italian flag; they seemed in general to be rather receptive to the proposal. (865.30/1-549)

Editorial Note

TERMINATION OF THE WORK OF THE FOUR POWER COMMISSION IN 1949

After the Turkish refusal to permit the Italian battleship *Giulio Cesare* and escort vessels to pass through the Straits for delivery at Odessa, the Soviet Government in the first week of January proposed to Italy their delivery at Valona Bay. This proposal was accepted by the Commission, on the condition that the *Royal Sovereign* sail from Murmansk to arrive in the United Kingdom at the same time. By the third week of January the assent by the British to this plan was withdrawn because they had been unable to get satisfactory assurances that the *Royal Sovereign* had actually sailed. The United States also held that the transfers to Valona were dependent on the Soviet Union's fulfillment of the commitment for simultaneous return of the British vessels.

At an emergency meeting of the Commission on January 27 the Soviet representative gave assurances that the *Royal Sovereign* would sail the next day, and the plan for delivery at Valona was restored. By the middle of February Captain Pryce was able to report that the *Giulio Cesare*, two submarines, and a destroyer had been transferred to the Soviet Union in the Albanian port; that the *Royal Sovereign*, three submarines, and one destroyer had been returned to British ports. Arrangements had been made for most of the other ships, with the *Milwaukee* to leave Murmansk on February 16.

In the first week of April Ambassador Dunn reported that Captain Pryce had proposed that the Commission disband in early May for it appeared that the unresolved matters could be settled through normal diplomatic channels, using the decisions of the Commission as guide lines. Unresolved matters at this stage were: the supply of reserve ammunition and of spare parts for the receiving Governments; the transfer to the Soviet Union of 12 small craft not included in the listed 33; the transfers to Yugoslavia; and the claim of Albania for the yacht or gunboat *Illyria*. On April 14 Italy and Yugoslavia agreed on the transfer of nine vessels. On May 10 Ambassador Dunn reported that on the previous day the four ambassadors had notified the Italian Government that the Four Power Naval Commission had concluded its work. Records of the above are in the Central Files of the Department of State under the number 865.30.

LUXEMBOURG

AGREEMENT BETWEEN THE UNITED STATES AND LUXEMBOURG RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472- 80TH CONGRESS

[For text of Agreement, signed at Luxembourg July 3, 1948, see Department of State, Treaties and Other International Acts Series No. 1790.]

AGREEMENT BETWEEN THE UNITED STATES AND LUXEMBOURG RESPECTING APPLICATION OF MOST-FAVORED-NATION TREAT- MENT TO AREAS UNDER OCCUPATION OR CONTROL

[For text of Agreement, effected by exchange of notes signed at Luxembourg July 3, 1948, see Department of State, Treaties and Other International Acts Series No. 1830.]

AGREEMENT BETWEEN THE UNITED STATES AND LUXEMBOURG RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472- 80TH CONGRESS

[For text of Agreement, effected by exchange of notes dated at Luxembourg November 17 and December 22, 1948, see Department of State, Treaties and Other International Acts Series No. 1903.]

THE NETHERLANDS

AGREEMENT BETWEEN THE UNITED STATES AND THE NETHERLANDS RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472- 80TH CONGRESS

[For text of Agreement, signed at The Hague July 2, 1948, see Department of State, Treaties and Other International Acts Series No. 1791.]

AGREEMENT BETWEEN THE UNITED STATES AND THE NETHERLANDS RESPECTING APPLICATION OF MOST-FAVORED-NATION TREATMENT TO AREAS UNDER OCCUPATION OR CONTROL

[For text of Agreement, effected by exchange of notes signed at The Hague July 2, 1948, see Department of State, Treaties and Other International Acts Series No. 1831.]

CONVENTION BETWEEN THE UNITED STATES AND THE NETHER- LANDS RESPECTING DOUBLE TAXATION

[For text of Convention, effected by ratifications exchanged at Washington December 1, 1948 and proclaimed by the President of the United States December 8, 1948, see Department of State, Treaties and Other International Acts Series No. 1855.]

NORWAY

AGREEMENT AND ACCOMPANYING EXCHANGE OF NOTES BETWEEN THE UNITED STATES AND NORWAY RESPECTING MUTUAL AID SETTLEMENT

[For texts, signed at Washington February 24, 1948, see Department of State, Treaties and Other International Acts Series No. 1716, or 62 Stat. (pt. 2) 1848.]

AGREEMENT BETWEEN THE UNITED STATES AND NORWAY RESPECT- ING EXCHANGE OF OFFICIAL PUBLICATIONS

[For text of Agreement, effected by exchange of notes signed at Oslo June 20, 1947 and March 15, 1948, see Department of State, Treaties and Other International Acts Series No. 1758, or 62 Stat. (pt. 2) 1954.]

AGREEMENT BETWEEN THE UNITED STATES AND NORWAY RESPECT- ING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80TH CONGRESS

[For text of Agreement, signed at Oslo July 3, 1948, see Department of State, Treaties and Other International Acts Series No. 1792.]

AGREEMENT BETWEEN THE UNITED STATES AND NORWAY RESPECT- ING APPLICATION OF MOST-FAVORED-NATION TREATMENT TO AREAS UNDER OCCUPATION OR CONTROL

[For text of Agreement, effected by exchange of notes signed at Oslo July 3, 1948, see Department of State, Treaties and Other International Acts Series No. 1832, or 62 Stat. (pt. 3) 2924.]

AGREEMENT BETWEEN THE UNITED STATES AND NORWAY RESPECT- ING A WAIVER FOR AMERICAN CITIZENS PROCEEDING TO SPITS- BERGEN, JAN MAYEN, AND CERTAIN NORWEGIAN DEPENDENCIES

[For text of Agreement, effected by exchange of notes dated at Washington September 10 and October 19, 1948, see Department of State, Treaties and Other International Acts Series No. 1884, or 62 Stat. (pt. 3) 3649.]

PORTUGAL

THE UNBLOCKING OF PORTUGUESE ASSETS IN THE UNITED STATES, THE ECONOMIC COOPERATION AGREEMENT, AND THE INTEREST OF THE UNITED STATES IN POSSIBLE PARTICIPATION BY PORTUGAL IN A WESTERN EUROPEAN UNION

800.515/2-448 : Telegram

The Ambassador in Portugal (Wiley) to the Secretary of State

SECRET NIACT

LISBON, February 4, 1948—8 p. m.

87. For Reber. Portuguese press has frontpaged France press release Washington dateline Secretary Treasury Snyder's statement to Senator Vandenberg¹ as follows:

"Portuguese and Spanish assets in US will stay blocked pending termination of negotiations regarding gold stolen by the Germans.² If these negotiations are unfruitful, these assets will be transferred to Foreign Assets Division" (presumably Alien Property Custodian).

Salazar³ and Foreign Minister⁴ are extremely disturbed over this "unfriendly act" so immediately after signing Azores agreement in which Portugal went all out to meet our requirements.⁵ Foreign Minister stated that if this "very adverse publicity" had appeared in press previously, Azores agreement would not have been signed. He also complained bitterly that we were putting them in same boat with Spain.

France press story does not carry full text of Secretary Snyder's statement to Vandenberg, as reported in Wireless Bulletin 27 February 2, nevertheless public statement is most unfortunate that if Portugal did not settle gold problem satisfactorily their assets will remain blocked. We have never formally told Portuguese Government that

¹ Arthur H. Vandenberg, of Michigan, Chairman, Committee on Foreign Relations, United States Senate.

² These negotiations related to 43,829 kilograms of gold paid to the Bank of Portugal by Germany during the war. The United States held that this gold had been looted from countries occupied by Germany and, on the basis of the Gold Declaration of February 22, 1944, sought its return to these countries. For text of the Declaration, see *Foreign Relations*, 1944, vol. II, pp. 213-214.

³ Antonio de Oliveira Salazar, President of the Portuguese Council of Ministers.

⁴ José Caeiro da Matta, Portuguese Minister of Foreign Affairs.

⁵ This agreement signed at Lisbon on February 2, 1948, provided for continuance of transit facilities for American aircraft at Lagens airport. For texts, see *United States Treaties and Other International Agreements* (UST), vol. 2 (pt. 2), pp. 2266 ff., and for related documentation see *Foreign Relations*, 1947, vol. III, pp. 1019 ff.

unblocking their assets in US was condition precedent to gold settlement. Letters enclosed with Department's instruction No. 473 August 21, 1947,⁶ have not to date been presented to Portuguese Government or discussed in view of Azores conversation. I will not present these letters to Portuguese Government since I consider them to be drafted in most ungracious manner.

Secretary Snyder's public statement coming two days after the signing of Azores agreement and the incensed Portuguese reaction on such a high level has created a serious problem in our relations and has most unhappy significance regarding present and future problems in Azores.

If there ever was a moment when we should be seeking a gesture of appreciation to Portuguese Government, in view of what we have received in the Azores agreement, certainly this is it.

As understood here, we have continued for tactical reasons to block Portuguese assets in US pending satisfactory settlement on gold. I understand there is no statutory requirement that these assets must remain blocked pending such a settlement. If this understanding is correct, I believe it is wise if we are to preserve the position we have gained that we immediately unblock all Portuguese assets in which no German interest is readily to be identified.

WILEY

⁶ Not printed.

800.515/2-548 : Telegram

The Secretary of State to the Embassy in Portugal

SECRET NIACT

WASHINGTON, February 5, 1948—7 p. m.

68. Reur niact 87, Feb. 4. In response to specific Congressional inquiries concerning US policy regarding foreign held assets in connection with ERP Snyder transmitted letter to Vandenberg reading in part as follows:

"Spanish and Portuguese assets are still blocked pending the completion of the current negotiations with Spain and Portugal covering looted gold and German assets. If these negotiations are successfully completed before the public deadline date, arrangements can promptly be made for the unblocking of these assets; on the other hand, if the negotiations are not completed by that date, these assets would likewise be covered in the transfer to the Office of Alien Property and would remain blocked pending the conclusion of the negotiations."

Above was only reference to Spain or Portugal in eight page letter explaining US Govt policy as determined by NAC action re remain-

ing blocked assets of all countries with approval of executive departments concerned. Full text of letter ¹ follows via pouch.

Emb attention directed to significant differences in letter as compared with quote from French press release as follows:

1. Spain and Portugal are not singled out in Snyder's letter since many other European countries are also mentioned. Some linkage of Spain and Portugal—which has no political significance whatsoever—inevitable since lack of settlement on looted gold and German assets places them in identical positions as only two blocked neutrals for whose assets no unblocking procedure has been established.

2. Should be made clear to Portuguese that transfer Portuguese assets to OAP is purely administrative move in US Govt connected with termination Foreign Funds Control without implication that vesting will follow. On basis your recent reports we strongly hope negotiations can be satisfactorily completed and funds unblocked well before transfer date about June 1.

Continued blocking pending conclusion negotiations on looted gold and German assets has been applied to all neutral countries and thus no discrimination against Portugal. Emb has previously been authorized bring this to attention of Port Govt and even without formal notification Dept assumes Port Govt aware this policy which has been made known publicly heretofore as in case of Switzerland and Sweden.² Emb advised in Deptel 47 of Jan 26 ¹ that Dept did not wish letters enclosed Dept instruction 473 Aug 21 to be presented pending further instructions.

With further reference unblocking, for your strictly confidential info Dept already discussing with Treas and OAP possibility of unblocking Port on basis similar to that proposed by you but after reaching satisfactory gold settlement.

Dept regrets timing of release but Emb will appreciate that executive branch of Govt had to respond to insistent Congressional demand for statement US policy with respect to foreign held assets in relation to ERP.

Emb may, at its discretion, inform Portuguese that letter constituted a statement of existing policy and did not represent in so far as Port is concerned any tightening of this policy or discrimination against Port.

MARSHALL

¹ Not printed.

² For the texts of the agreements with Sweden and Switzerland on German assets and looted gold and a discussion of the negotiations leading to the agreements, see Department of State *Bulletin*, June 30, 1946, p. 1101, and July 27, 1947, p. 155.

840.51 FC 53/3-2648

Memorandum by the Assistant Chief of the Division of Western European Affairs (Horsey) to Mr. Stanley D. Metzger of the Office of the Legal Adviser

[WASHINGTON,] March 26, 1948.

Here is the Note¹ from the Portuguese Ambassador.² I think it would be a good idea to bring the concern of the Portuguese Government to the attention of Treasury and of the Office of Alien Property.

I appreciate the connection of this problem with the question of marshalling concealed assets of ERP countries, which they need for their economic recovery, but I think that, as to blocked assets, Portugal presents a unique case. She does not need to marshal her private assets. Our political relations with Portugal are on a basis of intimate friendship and cooperation. The Portuguese Government on February 2 concluded an agreement with us, according us important facilities in the Azores for our military aircraft and I need hardly stress the political and strategic importance of maintaining this close relationship. I suggest the inclusion of appropriate parts of the following paragraph in your letter of transmittal; I believe this should go over by special messenger to the agencies today:

"The Department believes it to be of the highest importance to maintain the closest and most friendly relations with the Portuguese Government. As you know, an agreement was concluded with the Portuguese Government on February 2, 1948 giving our military aircraft important facilities in the Azores and we look forward to increasingly close cooperation with the Portuguese Government in this general field. The Department believes it to be of the highest importance that the Portuguese Government be given satisfaction in the matter of the treatment to be accorded its blocked assets in this country. The attached copy of a Note received by the Secretary of State from the Portuguese Ambassador indicates that uncertainty as to the manner in which blocked accounts are to be handled after June 1, 1948 is already having an adverse effect on normal Portuguese trade with the United States. The Department believes that it should be in a position to give to the Portuguese Government promptly renewed and specific assurances that the trade licenses now in effect will be continued in substantially the present form after that date."

¹ Not printed.

² Pedro Teotónio Pereira.

711.53/5-1048

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Secretary of State*

SECRET

[WASHINGTON,] May 10, 1948.

Subject: Summary of U.S. Relations with Portugal.

On February 2, 1948 a highly satisfactory agreement was signed with the Portuguese Government granting US military aircraft transit privileges at the Lagens Airport in the Azores for the next five years. Although this is acceptable to the military authorities as an interim arrangement, the Joint Chiefs of Staff are still interested in ultimately obtaining long term base rights in the Azores.

The present objective of US policy is to maintain and improve the existing cordial relations with Portugal and to encourage Portuguese cooperation in the economic and political rehabilitation of Western Europe. Portugal's financial condition is sound; its budget has been balanced for the past 15 years and the escudo is one of the firmest currencies in Europe.

Portugal is participating in the ERP but is receiving no financial assistance. Portugal has offered to make loans to other countries to assist in the purchase of Portuguese goods, mainly fish, fish products, naval stores, citrus fruits and cork. In view of the relative soundness and stability of the Portuguese economy, the aim of the ERP in Portugal will be primarily that of maintaining rather than rehabilitating the economy.

Although Portugal has not been admitted as a member of the UN, it has taken an active part in a number of the affiliated organizations, in particular the ICAO. The US has taken a leading role in sponsoring Portuguese membership in the UN but there is at present little hope of success in the face of Soviet opposition.

800.515/7-1448: Telegram

The Secretary of State to the Embassy in Portugal

SECRET

WASHINGTON, August 6, 1948—6 p. m.

388. Urtel 413, July 14.¹ The Dept has for considerable period of time given thought to question of blocked Port assets in US and has

¹ Not printed.

discussed matter with Portuguese Ambassador here, with Treas, and with Alien Property Custodian. Emb will recall that Dept took strenuous steps to give Port assurances with respect to Snyder Plan that transactions now permitted would not be prohibited shld Port assets still be blocked at time of changeover of jurisdiction. Moreover, Emb shld realize that US has direct interest in Ger assets Portugal, which interest unrealizable as matter stands at present without settlement gold question; and that US as co-issuer of gold declaration has direct moral interest in restitution of looted gold as well as direct interest in gold position of looted countries in as much as most of them are ERP recipients.

Dept desires unblocking Port assets in US as strongly as does Emb, but considers that our relations with countries other than Port must be given consideration in the timing of such unblocking. It is the desire of the Dept to avoid any suggestion that Portugal's intransigence in regard to looted gold has earned her the premium of unblocking. Since some such implication must inevitably adhere to the act of unblocking, it is the hope of the Dept that proper timing can mitigate the strength of the inference.

It is felt that a relatively appropriate moment would be the signing of the bilateral ECA agreement. If signing cannot be expected before Sept 1 Dept prepared announce deblocking forthwith. Necessary arrangements being made with Treasury.

Foregoing is of course for Emb info only.

Dept views follow separate cable re your Despatch 265, July 16² and re Brit Fonoff's suggestion attempt dissociate External Assets Accord from gold settlement.

MARSHALL

² Not printed.

840.51 FC 53/8-1148

*Memorandum by the Deputy Director of the Office of European Affairs
(Reber) to the Under Secretary of State (Lovett)*

CONFIDENTIAL

[WASHINGTON,] August 11, 1948.

BACKGROUND

The continued blocking of Portuguese funds in the US constitutes an irritant, serious in Portuguese eyes, which colors their thinking on more important matters, including particularly conclusion of long-range agreement for US airbases in the Azores. The question of unblocking them has been discussed on numerous occasions by the various interested officers in this Department, and recently with officers

in the Treasury Department. Agreement has been reached in the Department, except for L/E which contends that Portuguese funds should not be unblocked until a settlement of the looted gold problem has been brought about between Portugal and the US, UK and France acting under the Paris Reparations Agreement.¹ Although it was never made a formal condition, it has been the practice of the United States not to unblock assets in this country of those countries neutral in the war prior to the conclusion of a satisfactory settlement on German assets and looted gold.

Accord has been reached on the German external assets, implementation of which awaits settlement of the looted gold issue. Since it does not appear that a satisfactory settlement of the looted gold question can be effected in the foreseeable future, the US is proposing to inform the claimant countries of the history and present status of negotiations with Portugal.

Ambassador MacVeagh has recommended that the blockage on Portuguese assets be removed forthwith. He cites increasing resentment in Lisbon over what is considered an injustice and widespread criticism of the Portuguese Government for its failure to get the blockade removed as creating an international atmosphere which is definitely unfavorable to United States interests. He concludes that the unfavorable atmosphere renders it impossible to make any progress toward that increase of friendly confidence necessary to obtain an extension of the Azores Agreement or to negotiate any other measures which would be vital to our defense if the need arises. He points out that neither the British nor French who have a primary interest in the looted gold question has maintained a blockade on Portuguese assets.

RECOMMENDATION

It is recommended that Portuguese assets be unblocked forthwith and that the attached letter to the Secretary of Treasury designed to bring about that unblocking be sent.²

[Annex]

The Under Secretary of State (Lovett) to the Secretary of the Treasury (Snyder)

MY DEAR MR. SECRETARY: As you know, Portuguese assets in this country are still blocked. The Department of State and our Embassy

¹ For the text of the Paris Reparations Agreement see Department of State Treaties and Other International Acts Series No. 1655, or 61 Stat. (pt. 3) 3157. For documentation relating to the drafting of the Agreement see *Foreign Relations*, 1945, vol. III, pp. 1455-1505.

² The letter, as finally approved, was sent on August 25.

in Lisbon have recently reviewed the situation and have come to the conclusion that overriding political and strategic considerations of our foreign policy make it essential that Portuguese assets in this country should be unblocked forthwith.

I should appreciate therefore if you could give the necessary instructions to the effect that Portuguese assets in the United States will be unblocked at such date as may be designated by this Department with due regard to the technical details of issuing the license.³

Sincerely yours,

ROBERT A. LOVETT

³ Secretary Snyder replied on August 31 that on September 2 an amendment would be issued to General License No. 53 to include Portugal in the generally licensed trade area and to unblock Portuguese assets in the United States (840.51FC53/8-3148).

840.00/9-848

The Ambassador in Portugal (MacVeagh) to the Secretary of State

CONFIDENTIAL

LISBON, September 8, 1948.

No. 332

SIR: With reference to the Department's confidential telegram no. 406 of August 27, 1948,¹ I have the honor to report that I have recently had two conversations with Dr. Caeiro da Matta, Foreign Minister of Portugal, following his return from a month's vacation in France, and that during these conversations I received from him some very clear expressions of the present Portuguese attitude toward the closer integration of the free powers of Western Europe.

The Department will remember a despatch from this Embassy in the spring of this year (no. 170 of May 4),¹ according to which the idea of a federated Europe is anathema to the Portuguese, who traditionally nourish an exaggerated sensibility on the score of their sovereignty. Along with that despatch, there was enclosed a translation of a speech by the Portuguese Prime Minister, in which Dr. Salazar stressed his disbelief in the idea of European federation, saying that "the organization of a world desirous of maintaining the bases of western civilization cannot be made on a super-national basis; it can only be accomplished through the understanding and cooperation of national sovereignties. . . . The idea of a federated Europe seems to me to be outside the possibility of realization". However, he also said, "The West must use maximum efforts to avoid Russia's starting a war against it," and reiterated his belief, which he said he had elsewhere expressed, that Western Europe, with the effective support of America, disposes of sufficient material and moral elements to resist Russian aggression.

¹ Not printed.

In the first of my recent conversations with Dr. Caeiro da Matta, on September 1, the Foreign Minister began by again expressing the above ideas of his chief. He said that the proposal of a "Western Union" as originally put forward by Mr. Churchill was too broad in its implications to be practical, and based this contention on the great differences existing between the European nations in history, psychology, and standards of living, differences which he claimed it must take years to reduce to levels permitting of anything like federation. But he also went even farther than his chief in dwelling at length, and forcibly, not simply on the advisability, but on the necessity, if Western civilization is to be saved, of creating some sort of organization of the free nations of Europe with the least possible delay. In this connection, I was struck by what seemed to me a new urgency in his attitude and he capped his remarks by saying that if, as he anticipates, recent proposals for a new 5-power conference on this subject are implemented, possibly in November, "I will send someone, perhaps a Minister or even an Ambassador, to act as observer and keep us advised of developments with a view to our possible joining later on."²

In our second conversation, on September 5, Dr. da Matta was equally forthright and actually mentioned federation as the goal eventually to be aimed at, though again stressing the impracticability of achieving it, and the inadvisability of attempting it, immediately. But, he said, there should first be established a general "entente" among the Western nations on questions of common concern, and this, he pointed out, has so far not been done though he feels it to be the crying need of the hour. He intimated that it is in connection with the evolution of such a broad entente that Portugal will be interested in any forthcoming further discussion of European unity.

I believe the Department will feel that the above remarks of the Foreign Minister indicate a hopeful trend in Portuguese thinking on this subject and will be glad to take note of them. On the other hand, I should also report that when speaking of a possible basic entente, Dr. da Matta added the remark, "I don't see how this could be of any real value unless Spain were included." He realizes, of course, that it would be possible for Portugal to set her signature to an agreement or charter setting forth general principles whether its larger neighbor subscribed thereto or not, and I believe she might even make such an independent gesture if we desired it and the matter were adroitly handled. But what the Minister had in mind was that the effectiveness of any part which Portugal could play in the development of European unity must be critically conditioned by her geographical position in

² For documentation on United States views concerning the possible participation of Portugal in a Western European Union, see pp. 1 ff., *passim*.

respect to Spain. In regard to customs union, for instance, he pointed out that Spain is the only country with which Portugal has a land frontier; and he noted, too, that the terrestrial defense of the Iberian Peninsula, of which Portugal is but a small and eccentric part, can only be effective along the line of the Pyrenees, from which Portugal is separated by Spanish territory. He likewise spoke of the danger of revolution in Spain if that country continues to be treated as the pariah of the West, and pointed out that, if successful in dominating Spain, communism would be almost certain to dominate little Portugal within a short time thereafter. He stated with surprising frankness, "I don't like Franco and I don't like his regime, but stability in Spain is a necessity for us all." Hence, he said, the great interest he feels in the recent talks between Franco and Don Juan aimed (as he said) to ensure the succession.³ He said it is quite probable that Franco intends to remain dictator as long as he lives, but the fact that he is concerning himself now with the possibility of an orderly succession ("and royalism is the only hope for civilization in Spain, though this is not the case in Portugal"), he regarded as a hopeful sign. In all this he gave me very strongly to understand that the development of Spanish relations with the West is likely to play a considerable part in determining Portugal's future decisions regarding progressive association or integration with the Western powers.

Finally, another attitude of the Portuguese Government on this question deserves mention, since the Press here has been somewhat misleading. In the past few weeks the papers have printed a great deal of material dealing with "Western Union", and this doubtless reflects the Government's preoccupation. This material consists not only of brief reports of almost any public statement or activity regarding Western Union anywhere in the world but also of many editorials devoted to discussion and speculation from various points of view, though always basically favorable to the idea of union in general. The most conspicuous articles so far have been several appearing in the *Diário do Notícias*, a paper very close to the Government though not exactly an official organ. However, in the first and most striking of these, under date of September 1, the editor, Augusto de Castro, former Minister to France and Italy, applauded the conception of Mr. Duff Cooper (see the latter's recent article in the French paper *Le Monde* entitled "Only an Empire of the West Can Save the World"), which regards a European union as a "3rd force" to mediate and hold the balance of power between the U.S. and the U.S.S.R. This important journalistic adherence to a doctrine apparently not confined to Mr. Duff Cooper alone, has been noted and commented in France already, and I cannot too strongly stress the expressions by which Dr. da Matta has conveyed to me that it is not official. On many occasions he has made

³ For documentation on these talks see pp. 1050 ff.

it very clear to me that his Government, far from desiring to see an association of powers which should hold the balance between the U.S. and the U.S.S.R., believes that Western Union is impossible unless it has the active support, moral, material and military, of the U.S., the greatest power of the western world. In addition, when the Embassy inquired informally of the Foreign Office as to whether Señor de Castro's article was "inspired" by the Government, Dr. Faria, Acting Director General, replied in the negative, though he confessed that he himself had called de Castro's attention in the first place to Duff Cooper's article, with its flattering mention of Portugal, "our oldest Ally should be at the top of the list". Subsequently, de Castro has somewhat hedged on this question, and possibly a hint was dropped in his ear to bring the *Diario's* conception of Western Union more in line with that of the Government. At any rate, no mistake should be made on this point, that Portugal is not jealous of American influence in Europe, as some at least of the British seem to be, but is rather desirous of securing it to the maximum, if only it is exercised with care and consideration for the intricacy and delicacy of European problems.

In summary, I may say (1) that the Portuguese Government is today taking an increasing interest in Western Union, but on the supposition that the abandonment, at least for the present, of the word "federation" in favor of such terms as "association" and "integration" indicates a real re-orientation of thought on this matter; (2) that it wishes to see a firm basis of entente established among the free nations of the West as a preparation for something eventually more concrete; (3) that it feels such an entente can hardly be rendered effective unless Spain is somehow included; (4) that if things go on as at present, it may seek to be represented at the next Western Union congress by an observer of high rank; and (5) that its conception of Western Union includes United States' support as an essential prerequisite to success. Any development of this attitude, as I see it, will not fail to be reported promptly.

Respectfully yours,

LINCOLN MACVEAGH

Lisbon Embassy Files, Lot 56F159

The Director of the Office of European Affairs (Hickerson) to the Ambassador in Portugal (MacVeagh)

TOP SECRET

WASHINGTON, September 22, 1948.

DEAR MR. AMBASSADOR: Thank you for your letter of September 9,¹ and for your very interesting despatch no. 332 of September 8. I may say, incidentally, that we very much appreciate the reporting we have received since you arrived in Lisbon.

¹ Not printed.

I should like to comment on your despatch of September 8 from two angles, that of the closer association of Western European countries with US backing and the place for Spain in the picture.

The name "Western Union" is unfortunate because it promotes confusion between such different things as the Five Power Brussels Treaty, unofficial projects looking toward unification of Europe and such official actions as are beginning to be taken looking toward that objective. Our telegram no. 406 of August 27 ² applies to the latter two. We regard these two fields as European, except insofar as US economic assistance is concerned, although we strongly favor the closest practicable integration which the Europeans can achieve.

The question of American military support for the nations of Western Europe, using the parties to the Brussels Treaty as a nucleus, is one with which we have been actively concerned in recent months, as you will recall from our conversation just before your departure. Since early July we have been actively engaged in exploring with the Ambassadors of Canada and the parties to the Brussels Treaty the possibilities of establishing, within the framework of the United Nations Charter and the Vandenberg Resolution, a North Atlantic Security Pact similar to the Rio Treaty. It would be designed to fortify and preserve the common western heritage of the parties and to contribute to the maintenance of peace by strengthening the coordinated capacity of the parties to resist aggression and thereby, in itself, to deter aggression. In addition to the countries represented in our exploratory talks here, we would like to see Portugal, Norway, Denmark, Iceland and possibly Ireland and other countries become members of such a pact. The United States would, of course, be a full member, assuming the Senate consents to ratification. A top secret paper has emerged from these discussions and recently been forwarded to the other ³ Governments for their urgent consideration. It envisages consultation with the others named above prior to the conclusion of the Pact to ascertain whether they would be prepared to accept the responsibilities of membership. Pending approval by the other Governments represented in these talks, we cannot authorize you to discuss it with the Portuguese but I see no objection to your telling the Foreign Minister in general terms the trend along which these talks have developed. I am pleased to note that the trend of the Portuguese Government's thought reported in your despatch of September 8 is running on not dissimilar lines.

² Not printed.

³ Marginal note, presumably in Hickerson's handwriting, "Brussels Treaty & Canadian."

The British and French military, as well as our own, are definitely anxious to see Spain fitted into the picture at least as soon as politically possible, but the parties to the Brussels Treaty do not consider it politically possible even to think out loud about including Spain at this time. This gives point to our policy toward Spain as indicated in the latest Policy Statement, of which you have a copy. Essentially, we want to see Spain reintegrated into the Western European community, politically, economically and militarily, as quickly as practicable. However, England and France are more important to us than is Spain and Spain is more important to them than to us. Spain is still a highly controversial subject in domestic politics in England, France, the Low Countries and Scandinavia. We have long been telling the Spanish in a friendly way that we did not see how the Western European Governments could readmit Spain fully into their community in the absence of some gradual and orderly political evolution in the direction of greater democracy.

It occurs to us, and your despatch points this up, that the Portuguese could be of great assistance in bringing this last idea home to the Spaniards. If the Foreign Minister and Salazar see the problem of Spanish readmission into the Western community in the same light as we do, Franco's impending visit to Lisbon would provide an exceptional opportunity for them to discuss it with him. We would be interested in learning their views.

It might also be helpful for you to know that we have recently circularized our Missions in Latin America, the British Dominions and a number of Western European countries to ascertain the positions which the respective governments will take on Spain at the current session of the Assembly. We have indicated to them that, while we were not prepared to take the initiative ourselves, we would probably be prepared to support modification of the 1946 Resolution⁴ to the extent of repealing the prohibition on sending Ambassadors or Ministers to Madrid and of providing that technical organizations affiliated to the United Nations might admit Spain if in the opinion of those organizations Spanish membership would be desirable from the technical point of view. The replies so far received indicate rather widespread approval of the second modification and some approval of the first, although probably not enough to secure the necessary two-thirds majority.

With best regards,

Sincerely yours,

JOHN D. HICKERSON

⁴ For text of the resolution on Spain adopted by the United Nations General Assembly on December 12, 1946, see *Department of State Bulletin*, December 22, 1946, p. 1143, and for related documentation see *Foreign Relations*, 1946, vol. v, pp. 1083 ff.

Editorial Note

On September 28, 1948, in connection with the European Recovery Program, the United States and Portugal signed at Lisbon an Economic Cooperation Agreement. For text, see Department of State Treaties and Other International Acts Series (TIAS) No. 1819, or 62 Stat. (pt. 3) 2856. Documents relating to negotiation of the Agreement are in Department of State file No. 840.50 Recovery.

840.20/11-848

The Ambassador in Portugal (MacVeagh) to the Secretary of State

TOP SECRET

LISBON, November 8, 1948.

No. 412

SIR: Following and confirming my clear telegram no. 574, October 31,¹ I have the honor to report that all the Lisbon papers on October 30 headlined an identical statement, obviously governmental though of unidentified origin, concerning the North Atlantic Pact. A hasty translation of this statement was included in my telegram referred to, in order that the Department might be advised as promptly as possible of an unusual development. A more complete and otherwise slightly different, but I believe more accurate translation is given below. As the Department will observe, the statement purports to be no more than a correction of the foreign press and an account of what local editors have been able to find out about pertinent official opinion here. However, the original is written in a peculiar style not only characteristic of the Prime Minister but so exceedingly complex that it is unlikely that any subordinate would dare to perpetrate it publicly. Therefore I think one may feel quite certain that it was written by Dr. Salazar himself, and since Prime Ministers do not usually descend into the public arena except on exceptional occasions, I believe it should be accorded importance accordingly.

The following is the statement referred to:

"The Agence France-Presse yesterday distributed to the press a telegram from London referring to the proposed Atlantic Pact and giving impressions regarding the possible entry into the Pact of certain European and American nations.

"Alluding to our Country the spokesman of France-Presse stated:

"'As regards Portugal, the traditional ally of Great Britain, everyone is agreed that she should be one of the first to adhere to the defensive system which is being worked out.'

"In the course of our attempts to elucidate the question, we have ascertained that in circles which we consider well informed the an-

¹ Not printed.

nouncement that the adhesion of Portugal to this Pact is to be expected in the near future was received with skepticism. These circles state that it is precisely because of Portugal's ancient alliance with Great Britain, and of the facilities which she has granted to the United States that a formal adhesion by Portugal to the Pact would, in practice and for the time being, be little more than superfluous. It is considered here that the situation in regard to the defence of the West in so far as attempts have been made to link it with certain forms of European political organisation, is still very confused, and cannot fail to raise the gravest doubts in a country greatly attached to its independence and naturally anxious to avoid the infringement of a conception of sovereignty which embraces its overseas as well as its metropolitan territories."

So far as I am aware, the only official approach yet made to the Portuguese Government on the subject of the North Atlantic Pact is the memorandum handed by my British colleague to the Minister of Foreign Affairs early in October (see my top secret telegram no. 554, October 8²). Nothing could be more confidential in its nature. Furthermore, that memorandum included no invitation to the Portuguese to join the Pact, but was purely a notice that such an invitation might eventually be forthcoming. Consequently, it was with amazement that I noticed the publication of the above statement, and Sir Nigel, after talking with me, asked the Foreign Minister, without equivocation, whether it was intended to be a reply to his memorandum. By way of answer, Dr. da Matta assured him that it was "by no means" intended for an official reply, but only as a correction of the report of the France-Presse Agency referred to in the statement, itself, adding, however, that his Government "is still of the opinion that no North Atlantic security pact can be of much practical utility until Spain is admitted and her armed forces equipped and given modern training". His answer threw no light on the question as to whether the statement might not be intended, at least in part, as unofficial notice to us of the Prime Minister's thinking on this matter, and equally failed to explain why, at that particular time and in advance of any official invitation, a mere press story regarding alleged British thinking should be made the occasion for what is in effect a policy statement on the highest level.

The Military Attaché has reported (his AGC-10A of November 5³) that Portuguese Army Intelligence thinks the statement was issued to "dispel fears that the recent trip of the Portuguese Chief of Staff to London" (see my airgram No. A-358 of October 25²) "was connected with the announcement in the foreign press", i.e. that he went

² Not printed.

³ Not found in Department of State files.

to London for defense conversations of a specific nature. But the General has himself denied this already, and it didn't need Salazar personally to dispel the rumor further. Actually, I think there can be no doubt that Salazar intentionally drafted his statement with us very much in view. For any other consumption, he could have continued to leave the matter to his subordinates for briefer treatment. As regards why he has suddenly declared policy (even though "unofficially") at this time, it is at least possible that the recent breakdown of secrecy as regards our anticipations for Portugal should he held responsible. Past performances show that the Portuguese Dictator is always suspicious and resentful of advance publicity in connection with any decisions he may be called upon to make, and in this matter he may have regarded us as having spoken unofficially ourselves. His experience of government does not lead him easily to conceive that press "leaks" in connection with top secret matters can be unintentional. The unfortunate part of the affair comes from the fact that having now again stated, even though unofficially, some of his most unpromising views on international cooperation, he may feel even more closely constrained than ever to adhere to them in future negotiations.

Regarding the content of the statement, which is doubtless more important than the occasion, the Department may agree that Dr. Salazar makes at least a debatable point when he urges that Portugal is already sufficiently involved in North Atlantic security by her ancient alliance with Britain and the facilities she has accorded our Air Force in the Azores. On the other hand, it may feel that some mystery attaches to his again bringing up his old shibboleth of "sovereignty" in connection with a pact conceived purely for mutual defense. The key to this mystery probably lies in his reference to "certain forms of European political organizations". My British colleague, whose parallel top secret despatch on this question I enclose,⁵ ignores this reference altogether, but I feel it to be a most important one nevertheless. Sir Nigel points out that the Spanish problem is involved in Portugal's position (though this is not mentioned in the statement) and that there is also great fear here at present regarding the weakness of France. So far he is undoubtedly correct, though I feel he amazingly exaggerates the importance in this connection of the alleged "liberal" leanings of the Portuguese Foreign Minister, whose fears for France are surely based on fact. Furthermore, in going on to propound certain ideas of his own regarding Russia's objectives, he seems to me not only to de-

⁵ Not printed.

viate from the main problem of determining the Portuguese attitude but to make the latter out to be more complex than it is.

In reality, I believe that in attempting to persuade Dr. Salazar to adhere to this pact, if we do so attempt, we shall have to meet not only (1) the argument that without Spain such a pact can hardly be of much value for the defense of Western Europe (the Atlantic is another thing), and possibly also (2) the argument that France is at present too weak to make it safe for Portugal to join a Western pact, even if Spain were to be included, since the Rhine and the Alps are essential features for the defense of a region in which France constitutes the strategic as well as the geographic center, but also, and perhaps chiefly, (3) a fear lest too close a tie-up with the Western Democracies would menace the existence of the present type of regime in Portugal. Rightly or wrongly, there is certainly a profound anxiety in government circles here lest Western Union involve the establishment of super-parliaments or assemblies on a democratic model which, even if not actually interfering with internal national affairs, would conflict with the ideals of the corporative state and thus weaken its position at home. This it is which I feel to lie behind the Prime Minister's insistence in talking about "sovereignty", which otherwise could hardly be considered as menaced by any Atlantic Pact proposals yet divulged.

Thus, to sum up and conclude, I feel that the statement which is the subject of this despatch must in fact be regarded as unofficial notice of Dr. Salazar's position vis-à-vis an undelivered invitation to join the Atlantic Pact, and that it has been issued extraordinarily at this time because of the regrettable lapse of secrecy concerning our ideas in this connection. I feel that what his complicated verbiage is intended to express is caution as to committing Portugal to an association of powers at once too weak, on account of France, to offer promising defense possibilities on the continent and too strong politically, in its ideological differences from his own type of government, to constitute anything but a dangerous partnership for his corporative state. Finally, I feel that by this statement he has in effect put us on advance notice that if we want to bring him into the pact we must satisfactorily meet all these preconceptions. Should the Spanish situation undergo some early improvement, and France attain some new measure of unity and strength versus Eastern aggression, our task in this matter may be facilitated, while satisfactory assurance regarding Dr. Salazar's more specifically domestic anxieties would seem rather to depend on what final form the Western European democracies eventually give to their proposed Union.

Respectfully yours,

LINCOLN MACVEAGH

711.53/11-3048

The Ambassador in Portugal (MacVeagh) to the Secretary of State

SECRET

LISBON, November 30, 1948.

No. 434

SIR: I have the honor to report that I have now been in Portugal for nearly six months during which time I have been able to make contacts with many private individuals in all social ranks, as well as with many officials, including the President and the Prime Minister, other Ministers of State, provincial governors, senior and junior secretaries, police chiefs, military and naval leaders, and so forth. Accordingly, it would seem that I should now be in a position to express some views on what is always a vital subject for determination by any chief of diplomatic mission, namely the prevailing local attitude toward the United States.

From my experience here, I cannot doubt that a wide-spread liking for America exists among the lower classes of Portugal. This liking is due not only to the natural freedom-loving character of a maritime people, but more particularly to kinship with emigrants who send home periodic remittances. From this kinship and its benefits, the fisherman, peasant, laborer, shop assistant, taxi driver, household and hotel servant, and even the small business owner, derive the same idea of the United States as a land of blessed opportunity which is entertained by similar persons the world over; and in this connection, the effort of communist propaganda to orient the lower classes in the direction of Russia finds an obstacle in the feeling of many of those who are being propagandized that they have personal knowledge of something better. On the other hand, in the higher ranks of society, the nobility, landlords, bankers, ship-owners, industrialists, and even professors, there is less direct contact with the United States and consequently less appreciation. Family ties among these classes are apt to be European, or perhaps Brazilian; they almost never extend to North America. Culturally, the type of Portuguese "high life" is continental, and predominantly French rather than Spanish, despite the contiguity of Spain; even England, though Portugal's secular ally and repeated savior from continental threats of conquest and absorption, has made little if any impression on the manners and thinking of the rich. Finally, in official circles, this fundamental difference between the lower classes and their "betters" is reflected in a favorable attitude among the generality of minor functionaries, both civil and military, toward our growing importance in European affairs, and a corresponding feeling of reserve and caution, and even occasionally of jealousy and resentment, on the higher levels. On such

levels, including the highest, these latter feelings are masked under an attitude of friendliness often quite unreflected in action.

While the above is only a very summary presentation of a complex situation, I feel its main lines may be regarded as correct. They indicate that the Portuguese people can be properly classed as pro-American generally speaking, and they explain why casual American visitors and "small-time" business representatives, prospecting engineers, writers of travel literature, and so forth, often conceive the idea that Portuguese friendship for the United States is "something to write home about." Unfortunately, however, they also indicate where such an idea is likely to be misleading if applied to Portugal as a whole, since it does not derive from contacts with the ruling class. Of course, a strong trend of popular opinion must exert some influence on the conduct of any country. But the pro-Americanism of the general Portuguese public hardly falls in such a compelling category. There is nothing passionate or imposing about it, and thus, for all practical purposes, the superior directors of public action are free to develop their conceptions without giving it more than occasional lip-service. Actually, in the determination of what is at present under discussion, namely the Portuguese attitude toward the United States, popular liking for America must be regarded as a negligible factor, and the basic question to be answered has only to do with the reactions of the elite.

Who constitute this "elite"? One can hardly include in its ranks any substantial number of the old nobility (there is no new ennobling process going on). Restricted in numbers, and oriented almost wholly towards the past, of which it is both socially and economically a mere survival, this class contributes little if anything to the management of the country from which it sucks its life. Where the effective direction of Portuguese thinking lies is in the substantial upper middle-class, blessed (or cursed) with the same thoroughly European education as the nobility, but actively engaged in trade. It is this class whose sons obtain most of the high preferments in the military forces, and it is this class which furnishes the important functionaries in the civil establishment of a country where government service is greatly underpaid.

It should not be imagined, in this connection, that Portugal, which escaped most of the effects of the French Revolution, is essentially changed today from what she was in the 18th century, though she is now called a "corporative state." This phrase means that the state is now run theoretically by representatives of all occupations for the coordinated good of the whole community. But in fact the present system is only a mask for a thoroughgoing dictatorship in the hands of

the more substantial citizens, whose leaders decide what that coordinated good may be. The corporations indeed have advisory powers, but control in all matters of state, both internal and external, lies with ministers appointed from among those whom Cicero would call the "Optimates" and Juvénal (more bitterly) "Those who have sufficient cash to qualify as knights." Governments rise and fall on the basis of an inveterate factionalism in the armed forces which reflects nothing more national than the conflicting ambitions and jealousies of the well-to-do. Popular suffrage exists, but is again a mere mask for a situation which has obtained ever since wealth first flowed in from discoveries overseas and riches rather than arms became the main support of power. Thus, as might be expected, the present regime itself is the outcome of highly restricted factional strife, and that it has continued to rule for twenty years is only because the fiscal policies of Dr. Salazar have brought satisfaction on an exceptionally wide basis to dominant but usually conflicting groups. It is not likely to survive a day after the "wizardry" of this performance lapses, and Dr. Salazar's whole course of action indicates that he himself realizes where the necessities of his position lie, since, while balancing the budget for so many years, he has done little to modernize the country's social system and has spent only a minimum of revenue on public education.

Under these conditions, what of the prevailing attitude toward us? No matter what she calls herself, present day Portugal, still ruled by the moneyed successors of her merchant princes and their hangers-on in commerce and finance, is practically what we call, in modern terms, a fascist state, which is itself only a new name for the kind of state exemplified by ancient Rome in the scandalous days of the later Republic. Since her ruling class believes in government only as a means for its own advancement and protection, limits its view of legitimate change to factional alteration at the public trough, and very generally regards its colonies chiefly as areas for financial exploitation, it can hardly do otherwise than view with alarm the increasing involvement of democratic and progressive America in European affairs. The United States, child of the 18th century "enlightenment," asks cooperation, but can little Portugal cooperate safely, even in fancy modern dress, with a great country possessing so different a social and governmental structure? Cooperation involves a certain intimacy. What if Portugal should become Americanized in the process? Here is certainly cause for apprehension to all the Portuguese "optimates," and the very eagerness of the United States in offering its powerful friendship, genuinely kindly as we know this eagerness to be, can only add an element of distrust to their alarm. I think that most Americans of long experience in Portugal have sensed behind the politeness and hospi-

talities of their contacts here a certain attitude of alien reserve whenever governmental cooperation is discussed. This is generally put down to an exaggerated spirit of "nationalism" on the part of the Portuguese people. But the people as a whole have no such exaggerated nationalism, otherwise there would be no necessity for the efforts of the authorities, including the Prime Minister, to drum it up, as they do, on all occasions. What is involved is a defensive attitude, common to the whole class of which I have been speaking (and which supports the present Prime Minister only because of his services to itself) against anything which might disturb the elite of Portugal in its ancient preserves.

Of course this attitude is directed against others as well as against us, but it is perhaps more marked in our case than in that of the other democratic Western Powers because of our presently emergent greatness. Actually, the Portuguese elite are far more afraid of Russia than they are of the United States, and if they had to choose between democracy and communism would certainly choose the former. Furthermore, they almost unanimously look on the United States as the only hope of the world against communistic advance. But for all that, until they have to choose, they would wish to defer the choice. Hence, they are not likely to go further in friendship toward the democratic powers, and particularly towards the United States at the present time, than immediate and practical urgency may seem to them to demand. The coldness with which Dr. Salazar has always judged our friendly and cooperative advances is not only symptomatic of his personal character but evidence of this fundamental attitude of those who, to all intents and purposes, constitute the Portuguese nation.

Summary and conclusion. On the basis of my experience here, I believe that the Portuguese people of the lower classes are friendly to the United States, owing chiefly to their emigrant connections and accruing advantages. However, neither this class nor the nobility, which takes little part in affairs, can be said to determine the country's attitude toward the United States. This is rather the function of the commercial and banking classes which have for centuries disposed of the country's wealth and manipulated the government and the army. The rule of these classes renders Portugal today essentially a fascist state, fearful of the advances of communism and trusting to the power of the United States for protection if necessary, but also fearful of the possible undermining influence of democratic contacts. Official emphasis on "nationalism" and on the shibboleth of "sovereignty", which is always invoked at the slightest mention of cooperation with the West (but not with Spain), stems fundamentally from this deep source of caution and not from any personal idiosyncrasy of official spokes-

men. By the same token, this caution is not likely to be voided by mere sentimental advances, or to yield to arguments based on the desirability of saving the world for democracy. Perhaps, therefore, it would be wise, in dealing with Portugal in the future, to keep these things in mind and avoid anything but the strictest realism in our attempts to influence decision on her part by (as Ellery Stowell defines diplomacy) "creating the impression of the existence of a compelling motive."

Respectfully yours,

LINCOLN MACVEAGH

AGREEMENT BETWEEN THE UNITED STATES AND PORTUGAL RESPECTING THE APPLICATION OF MOST-FAVORED-NATION TREATMENT TO AREAS UNDER OCCUPATION OR CONTROL

[For text of Agreement, effected by exchange of notes signed at Lisbon September 28, 1948, see Department of State, Treaties and Other International Acts Series No. 1817, or 62 Stat. (pt. 3) 2845.]

AGREEMENT BETWEEN THE UNITED STATES AND PORTUGAL RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80TH CONGRESS

[For text of Agreement, signed at Lisbon September 28, 1948, see Department of State, Treaties and Other International Acts Series No. 1819, or 62 Stat. (pt. 3) 2856.]

SPAIN

INTEREST OF THE UNITED STATES IN EFFORTS TOWARD LIBERALIZATION OF THE SPANISH GOVERNMENT¹

852.00/1-548

The Chief of the Division of Western European Affairs (Achilles) to the Chargé in Spain (Culbertson)

TOP SECRET

WASHINGTON, January 5, 1948.

DEAR PAUL: I will try in this letter to amplify and clarify our 903 of December 18² and to give you our general thinking on the subject of policy toward Spain:

1. We want to bring about gradual normalization of relations between Spain and the United States and, incidentally, between Spain and the other western countries.

2. While popular opinion in this country and Western Europe with respect to Spain has cooled off to a very considerable extent, complete normalization would be difficult, if not impossible, without some democratization in Spain.

3. We emphatically would not want to see the Spanish state weakened to a point at which civil disorders might ensue.

4. Changes in the form or composition of the Spanish Government are the business of Spaniards alone; we would make no suggestions more specific than the general position which this letter attempts to outline.

5. International pressure to "kick-Franco-out-now" has failed and has served only: (1) to strengthen his resistance to any liberalization under foreign pressure; (2) to increase support for him in Spain among those who would like a more democratic government but object to foreign pressure or fear renewed disorders; and (3) to give the communists everywhere one more chance to cause trouble and embarrassment.

6. The "kick-Franco-out-now" policy is over as far as we are concerned, although we are unlikely to make this public unless and until

¹ For previous documentation on the attitude of the United States and other governments toward the regime of General Francisco Franco y Bahamonde, Chief of the Spanish State, see *Foreign Relations*, 1946, vol. v, pp. 1023 ff., and *ibid.*, 1947, vol. III, pp. 1053 ff.

² *Ibid.*, p. 1096.

there is some evidence that Franco is willing to start on his own an evolutionary process toward democracy.

7. We had reasonable success in trying to hold down the United Nations pressure at the 1947 Assembly.³ This should be, and apparently is, evidence to Spaniards of a change in our basic attitude. However, the provisions of the 1946 resolution on isolation from agencies connected with the United Nations and the recall of Chiefs of Mission still hold and we are not at this time considering any action contrary to that. This aspect of our policy seems less well understood in Spain. We naturally attach importance to the observance of United Nations recommendations as a matter of principle. In addition, we expect that before the 1948 Assembly the USSR and its satellites will have flagrantly violated several UN recommendations and we certainly do not want condemnation of them to be complicated by charges of similar disregard against us or other democratic governments. From the Spanish angle it is going to be very difficult to obtain a two-thirds majority to get the 1946 recommendations off the UN books unless there have been substantial changes in Spain which could justify such action. This should be another good talking point for you.

8. We do not want to see the economic situation in Spain deteriorate further. Before you receive this the "E List"⁴ will have been terminated and Spain will be on the same footing as all other European countries with respect to export licenses. We will be writing you further about this shortly. Fairly substantial private credits could be obtained by Spanish importers if gold coverage were possible (one private \$25,000,000 cotton deal is currently hung up on the question of a 40% gold coverage and similar loans might well follow). Satisfactory conclusion of the current gold negotiations would make this possible.⁵ This should be a powerful argument in the negotiations.

9. We are not at this time prepared to extend governmental credit (Export-Import Bank), but would be glad to consider it as and when the regime gives concrete signs that it has the intention of moving toward greater democratic and economic efficiency and that it has begun to do so. Inclusion of Spain in the European Recovery Program would be a question for the sixteen countries concerned. They would be most unlikely, judging from their attitude at the UN Assembly, to agree on inclusion of Spain in the absence of substantial political and economic changes within Spain. Should such changes be made and the Sixteen wish to include Spain, we should presumably accord similar weight to the changes made and agree to Spanish participation.

³ See *Foreign Relations*, 1947, vol. III, pp. 1087-1095.

⁴ An export control list terminated by June 1, 1948, of countries for which no export licenses would be granted.

⁵ These negotiations involved restitution to the Netherlands of 101.6 kilograms of monetary gold taken by Germany and subsequently acquired by Spain. Documentation on the negotiations is in Department of State file 800.515. See footnote 2, page 995.

10. From the foregoing, it should be obvious that we are thinking in terms of persuading Franco to inaugurate gradual and orderly liberalization rather than trying to force him out.

11. Persuading him to adopt such a course will naturally be difficult. You should certainly talk to him shortly, preferably at his instigation if that can be arranged. We expect to telegraph you specifically to do so upon receipt of the Vatican's reaction. If in the meantime Franco should ask to see you, you should see him. Whenever you see him, our thought would be for you to talk to him along the lines of our 903 as amplified by this letter.

12. He may well say: "That is fine. You are coming my way and will have to keep coming, whether I do anything or not. Therefore I am going to sit tight." Your answer would be: "O.K., so are we. We would like to give you positive help, but we cannot do it unless you first show convincing signs of intention to work toward a regime which would in democratic eyes be respectable." If he takes the opposite line and says: "That is exactly what I am doing, but Spain and I are misunderstood abroad and nobody believes me", your line should be that in democratic eyes his record causes considerable suspicion and that if he has democratic intentions it is up to him to demonstrate them convincingly. If he asks what we want him to do, you will say that that is his business, that no foreigner is in a position to determine what is best for Spain and that it would be highly presumptuous for us to try. We realize the stormy nature of Spanish history and the Spanish character, the political instability of Spain, the passions remaining from the Civil War, etc., and assume that the nature of the political evolution would, of course, be Spanish, take account of these factors and insure continuing stability. What we need before we give him any sympathy or material assistance is convincing evidence of his intention to undertake orderly democratization. If such evidence were produced in some fairly dramatic form it would facilitate normalization of relations not only with us but with all other western countries.

13. Assuming that you get anything short of a complete rebuff from Franco (which would make us look again at our whole policy), I think you should take substantially the same line with all other elements in Spain—Army, Church, Monarchists and the moderate left. The extreme left is seeking disorder and communism rather than democracy in Spain and we do not care what they think. Other leftist elements may well react unfavorably, possibly bitterly, but we believe with complete sincerity that there is no chance whatever of achieving a really democratic regime in Spain through the former policy of attempting international coercion and that there is a reasonable possibility of bringing it about through the new one.

14. We think Vatican cooperation along these lines would be more effective than that of either Great Britain or France. However, we

expect to discuss it with the British shortly after hearing from the Vatican and with the French in due course. We will let you know when we tell either.

15. Making this policy succeed depends in a substantial measure on you. It will certainly not be easy, but it gives you an opportunity to do a bigger job than most FSOs or Chiefs of Mission ever get. Good luck!

Don't hesitate to give us your ideas either officially or direct to me personally. We are sending a copy of this of Jeff Parsons.⁶

With best regards.

Sincerely yours,

THEODORE C. ACHILLES⁷

⁶ James G. Parsons, Foreign Service Officer at Vatican City.

⁷ This letter was concurred in by Outerbridge Horsey, Assistant Chief, WE; John D. Hickerson, Director, EUR; Samuel Reber, Deputy Director, EUR; Norman Armour, Assistant Secretary of State for Political Affairs; and Jacques J. Reinstein, Special Assistant, E.

711.52/2-648

The Chargé in Spain (Culbertson) to the Secretary of State

TOP SECRET

MADRID, February 6, 1948.

No. 77

SIR: I have the honor to refer to Departmental telegram No. 903 of December 18, 1947 and to report that on Monday, February 2, I discussed with the Minister for Foreign Affairs, Señor Alberto Martín Artajo, the position and policy of the United States as outlined in the reference telegram. I enclose with this despatch a copy of the memorandum I made following the conversation with the Foreign Minister and a copy of the paper I had prepared for my own guidance in the presentation of this matter to Señor Artajo. I, of course, left no papers with him.

Respectfully yours,

PAUL T. CULBERTSON

[Enclosure]

Memorandum of Conversation, by the Chargé in Spain (Culbertson)

[MADRID,] February 2, 1948.

Participants: Alberto Martín Artajo, Minister for Foreign Affairs
 José Sebastián de Erice, Director General of Foreign
 Policy
 Paul T. Culbertson

By appointment I called on the Foreign Minister at 8 p. m., February 2. Señor Erice interpreted.

I had prepared for my own guidance a statement of what I wanted to say and how I wanted to say it. It is attached. While I did not read from it, I followed the text and wording quite closely. There was considerable side discussion of the various points covered. The meeting lasted for two hours. I left the Foreign Office feeling I had accomplished absolutely nothing. I prefer to wait a few days to see whether this presentation of our policy produces a comeback from the Foreign Minister.

The discussion developed somewhat as follows:

In response to my opening remarks about the press, Artajo called my attention to the fact that the press had, after the U.N. vote, soon dropped its original comment. I agreed that that was true. (When this sort of stuff first appeared in the local press, I saw Erice and told him it was the most stupid approach to American psychology possible.) With regard to the *Hispanicus* article (see Embassy's despatch No. 55 of January 27) ¹ Artajo was surprised that I should find objection, saying the article was designed to bring the Marshall Plan prospects for Spain back into focus since the Spanish press had developed an over-optimistic line. I told him it was a question of the tone and attitude—a thing which both Erice and Artajo did not seem to be able to understand.

After covering the point that we cannot be expected to make all the moves "to erase the reasons for the differences which have made and still make normalization slow and difficult" (#3 of notes), I was rather startled to find blank expressions on both Erice's and Artajo's faces. I said "You understand what I mean?", to which I received denials. I told them I had no desire to be specific; that they must realize that Spain as a police state, where there was great political repression and where practically everything was considered a crime against the State and, therefore, subject to trial by military tribunal—these were things which were incomprehensible to American public opinion. I cited a couple of recent trials, one being the trial of seventeen Socialists, the only charge against them being that they tried to organize, and peacefully, a political party and yet the top people had been sentenced to 25 years imprisonment. Artajo came back by saying they would be released in a year or so. I could not avoid the rejoinder that if that be the case, why the 25-year sentence!

On the point (#3) with regard to our revised attitude toward the Regime itself, Artajo merely nodded his head.

With regard to private credits (#4), I expounded the question of commercial risk with a slight prod at INI and Government interference in private enterprise. Artajo was of the opinion that the situa-

¹Not printed.

tion could be worked out but, of course, the Government was obliged to establish and maintain certain controls and would have to approve obligations assumed by its citizens or industries.

When I got on to the question of governmental credits (#5) there was obvious disappointment and again blank expressions so far as understanding what I meant by giving "concrete signs of its intention of moving toward greater economic efficiency and democratic liberalization". So I again explained my reluctance to give specific examples, but I again went over the political repression, the military courts, and so forth. Artajo came back at considerable length by saying that if the Regime were to liberalize in a manner such as I apparently had in mind revolution and civil strife would break out here and the credits received by reason of their liberalizing action would have to be used to restore order. He stated we would have the same situation here that we have in Greece. I joined that by saying that I failed to find any basis for comparison and, furthermore, that so far as I could see there was a tendency on the part of the Regime to consider everyone, with the possible exception of Monarchists, who disagreed with the Regime to be a Communist. Artajo's remark about revolution could be taken to mean that the Regime considers itself not too strong and cannot, therefore, run any risks of releasing its iron grip.

I had previously explained to Erice and Artajo the situation with regard to the E.R.P.² so that in going over it again I was giving them nothing new. They do feel they have been unjustly excluded and that Spain is an important cog in the European economic organization. I gathered from what was said that they blame Britain and France for being excluded. They cited the fact that since the first meeting of the CEEC Spain has concluded commercial agreements with Sweden, Ireland, Turkey, Holland and Switzerland—all CEEC members.

They were again disappointed over what I had to say with regard to the level of diplomatic representation (#7) but showed a tendency to understand our position even though they do not agree with it. In fact, they have since sent me a long treatise³ on the meaning of the 1947 U.N. action. Artajo complained that we were influencing South American countries not to raise the rank of their representations here. I replied by saying that that was not true except in so far as those countries might have been influenced by our own position.

As I was leaving, Erice told me they would send me a list of the liberalizing and modifying steps the Government had taken in recent years. I said that I was more interested in a statement of what was going to be done in the future and when.

² For documentation on the European Recovery Program, see pp. 352 ff.

³ Not found in Department of State files.

[Enclosure 2]

Notes by the Chargé in Spain (Culbertson)

[MADRID, February 2(?), 1948.]

I have recently received instructions from my Government to discuss with you and with General Franco the American position and policy toward Spain and the Government of Spain—what we would like to do and what we can do.

1) Last December after the vote in the U.N.—a vote largely due to the work of the American U.N. delegation—the Spanish press, particularly *Arriba*, came out with statements to the effect that now that the other countries of the world have seen the errors of their way, why don't they do so and so? The other day *Arriba* printed an editorial by *Hispanicus* with regard to Spain and Communism, Spain and the Marshall Plan. You have no doubt read it. The article is all the more important, if rumor is correct that *Hispanicus* is in fact the Chief of State or someone very close to him. If the press following the U.N. action and this recent editorial represent the position and policy of the Spanish Government, I must frankly say that normalization of relations between Spain and the western countries and the restoration of Spain to her rightful position of importance among them as a community of nations will not be easy. It must be an effort based on mutual cooperation and understanding.

2) My Government is desirous of bringing about a complete normalization of the political and economic relations between our two countries, and it will be our purpose and intention to use our influence and good offices in bringing about the same degree of normalization between Spain and the other western countries. That can not however be accomplished from one day to the next and particularly if we are expected to make all the moves to erase the reasons for the differences which have made and still make normalization slow and difficult. I have come to realize since I came to Spain that many people here find it difficult to understand our reasons for these differences. Nevertheless they must be understood, and it must be realized that the march of world events and present American attitude toward Moscow do not wash the slate clean of the reasons for past and present differences.

3) Past American policy toward Spain has looked to a complete change of regime here. That is now changed. The form or composition of the Spanish Government is for the determination of the Spanish people. We do feel however that the Spanish people should have some better opportunity to express themselves. We are not trying to reverse the results of the Civil War nor do we wish to see the Spanish State

weakened to a point where civil disorder might develop or political strife arise.

4) We do not wish to have the economic situation in Spain deteriorate further. An economically strong Spain is in the general interest of everyone and every western country. The export discrimination against Spain has recently been withdrawn and Spain has been placed in the same position with regard to American export controls as all other western European countries. We have in the past objected to the extension to Spain of substantial private credits particularly those which go beyond the scope of normal short term commercial credits. As soon as we have reached a final understanding between the two countries on the question of gold, very substantial private credits can and will be extended to Spanish industry and we shall raise no objection to such private credits, leaving however the question of commercial risks entirely to the American banks and industries involved.

5) We are not at this time prepared to extend governmental credits to Spain but such credits are possible and we are prepared to give sympathetic consideration to such credits if the Spanish Government gives concrete signs of its intention of moving toward greater economic efficiency and democratic liberalization and takes open action which would make feasible and practicable in the light of American public opinion such a step on our part.

6) Such action on the part of the Spanish Government would be a step of the greatest importance with regard to Spain's inclusion in the Marshall Plan. The question of Spain's inclusion in this Plan is initially up to the countries of western Europe. The legislation now before the American Congress provides for the extension of credits and aid to those countries of Western Europe who by cooperative effort and organization are endeavoring to bring about economic and peaceful stabilization in Europe. The adjustment of the Spanish-French border problem is also a first step to a normalization of economic relations in Europe, and I am glad you have been able to find a mutually acceptable understanding and at the same time I appreciate your readiness to understand France's political difficulties in arriving at an understanding. Recriminations either way or an attitude of correcting a wrong would be of advantage to no one. If arrangement between Spain and the 16 other countries can be brought about, the further steps required as far as the United States is concerned can be adjusted.

7) One further point—that of the level of the diplomatic representation between our two countries. Our delegation at Lake Success had fair success in holding down United Nations pressure on the question of Spain. What we were able to do however was only to avoid a reiteration of the 1946 resolution. That resolution was not cancelled by the

1947 action. Our basic international policies are based on the concept of a world society of nations—the U.N. We have made every effort to make a real United Nations and to that end we have accepted compromise and retreat. We attach great importance to the observance of U.N. recommendations and the principle of majority action. For the United States to change her diplomatic representation to Spain at this time would give excuse to the U.S.S.R. to violate U.N. recommendations. They are likely to do it any way, but they will not be able to cast stones at us. To cancel standing resolutions of the U.N. a two-thirds majority is required. You, of course, feel that the attitude of many countries toward the Spanish regime is without justification. Nevertheless, to get them to change, Spain could well take action looking to political and economic liberalization.

8) We are not in a position nor would it be proper for us to suggest the nature of the action to be taken. Certainly I am not here for the purpose of criticizing. I can however in a friendly, frank way point out those practices and policies of the Spanish Government which my Government and the American people find difficult to understand and which tend to keep alive differences between our two countries.

9) I have one personal observation to make. From my observations since my arrival in Spain and from my conversations with you, I have a feeling that the Regime's long range plans and programs for Spain and the Spanish people have as their end result liberalization and democratization very little different from the ideas and concepts which the American people have. If that be true, it is my feeling that our basic differences of opinion involve the question of time for initiating in more definitive form those plans and programs. If they could be initiated now they would receive the approbation and support of the American people as well as of the peoples of other western countries. Such action would make it possible for the world to understand and appreciate Spain and bring her into her rightful high position in the community of nations.

840.50 Recovery/2-1648

*Memorandum of Conversation, by the Assistant Chief of the Division
of Western European Affairs (Horsey)*

SECRET

[WASHINGTON,] February 16, 1948.

Participants: J. N. Henderson, Second Secretary of British
Embassy
Outerbridge Horsey, WE

Mr. Henderson said that the Foreign Office had asked the Embassy to inquire from the Department, if possible from the Secretary him-

self, as to the truth of a report allegedly issued by the USIS in London to the effect that the Secretary had said there was no impediment to Spain joining the ERP. In order to correct this erroneous report of the Secretary's comment, I gave Mr. Henderson the exact language contained in the Memorandum of the Secretary's press conference on February 11.¹ This showed that the London report had left out two essential features of the Secretary's comment, that there was no objection from the US point of view and that this applied only if the 16 countries themselves wished Spain to be included. Mr. Henderson thought that this would correct the dismay created by the first report in London since the Foreign Office felt that the inclusion of Spain would be a departure from the previously announced policy, agreed on with the US, and would remove once and for all all hope of getting rid of Franco.

Elaborating on our position as indicated by the Secretary's comment of February 11, I said that all our statements and thinking were based on the avoidance of influencing in any degree the decision originally reached by the CEEC countries on the exclusion of Spain. We did not want to give the impression of trying to get them to have Spain included and, on the contrary, we were not laying down arbitrary rules as to the permanent exclusion of *any* country. I mentioned that Spain's interpretation of our position had been over optimistic and that we had sought to correct that optimism both in Madrid and here.

As to change in the regime, we heartily shared the British feeling that the continued exclusion of Spain would serve as an inducement to General Franco to bring about substantial political and economic changes in order to qualify for inclusion.

Mr. Henderson thought that this general explanation was entirely satisfactory and said that he would telegraph it to London. He mentioned that the Foreign Office was most anxious to keep in line with us on Spanish policy and hoped that before making any accommodation with General Franco we would at least consult the British.

¹ Not printed.

711.52/3-948 : Telegram

The Chargé in Spain (Culbertson) to the Secretary of State

SECRET

MADRID, March 9, 1948—5 p. m.

167. Foreign Minister called me in last night to make Government's reply to my February 2 statements referring to their tenor as indicating my Government's "good will and desire to strengthen relations with Spanish nation allowing them become wholly normal". He said he had discussed February 2 talk and Spanish reply with Franco and

Cabinet. This evident since line reported below reminiscent of Franco and other official statements last few months.

Principal points expounded by Artajo are :

Spaniards appreciate US attitude in UNGA last November but not satisfied that Spain's good name has been vindicated and wish US take lead in righting injustice especially in view Trygve Lie's ¹ interpretation of 1947 resolution showing "manifest hostility".

Spanish Government appreciates "full value of notice concerning favorable attitude of US re future granting of credits" and hopes this will soon lead to results, first on private and later official basis. Marshall Plan of less interest to Spain than individual deal with US. (Note: this statement consistent with others recently made by Foreign Office officials.)

Spanish economy basically liberal, but like other countries has been forced by well-known circumstances into temporary state control. Artajo implied INI merely intervenes in businesses which need its economic help, plain misrepresentation of fact.

To understand Spanish situation American public should contemplate troubled history for past century, its experience with Communists 1934 to 1939 and future troubled world aspect. Should also contemplate inappropriateness of trying to judge internal affairs other country. Regime has demonstrated flexibility and desire to better self since 1939 and is developing "bold task of social tutelage and protection" which is basis of its stability and advantageous to both Spain and cause of world peace.

Spanish Government sincerely desires collaboration with and rapprochement to US but feels relationship should not be disturbed through mingling countries' common interests and ability to serve world, with differences of ideology or political thinking which are exclusive to each people.

Above quotes based on English copy of Artajo's statements ² handed me during interview.

Foreign Minister said nothing new or encouraging to hope for evolution and I limited my comments to denying at one point that US wishes Franco to legalize Communist Party, which Artajo implied was case.

CULBERTSON

¹ On December 3, 1947, Mr. Lie, Secretary-General of the United Nations, wrote to the President of the Security Council that he was confident the Security Council would discuss the Spanish Question as soon as it required attention. (United Nations, *Official Records of the Security Council*, 1947, vol. 2, p. 1080.) The Spanish Government apparently took this to mean that the Secretary-General interpreted the 1947 resolution of the General Assembly on Spain as having no effect on the power of the 1946 resolution.

² Not printed.

711.52/3-948 : Telegram

The Secretary of State to the Embassy in Spain

SECRET

WASHINGTON, March 23, 1948—6 p. m.

171. Believe you should take opportunity to express casually to FonMin and others disappointment at entirely negative reaction reported Embtel 167 March 9. Say that Spain attitude is definitely not conducive to any change in (a) present US policy of refusing Govt credits; (b) disinclination of European countries to include Spain in their cooperative arrangements and (c) basic UN position on Spain and especially US initiative toward that end. Repeat that we have no thought of hasty political changes of nature which would endanger maintenance of public order and that nature and timing of such changes is up to them. You should make plain however that demonstration of intention to make substantial political and economic reforms would vastly aid improvement of relations with this country and integration of Spain in Western European arrangements which is manifestly in best interest of Spanish people.

Belgian Amb has asked us to support protests Belgian and UK reps Madrid have made to FonOff at arbitrary judicial action against Barcelona Traction Co. While US ownership this company understood to be small you could ask FonMin whether this is kind of treatment which foreign investments may expect and suggest that it is contrary to Spain's interest at a time when they are seeking financial assistance abroad. You could add that while we would be reluctant to have to bring this case to attention of American interests considering extending credits to Spain we would be derelict in our responsibilities to them if we did not do so.

MARSHALL

852.00/3-2448 : Telegram

The Chargé in Spain (Culbertson) to the Secretary of State

SECRET

MADRID, March 24, 1948—5 p. m.

202. Franco has for years preached perils of communism and has effectively used every propaganda effort instill in Spanish people fear repetition Communist terror during Spanish Civil War. Recent March events Europe emphasizes in minds Spanish people correctness his position and has resulted increased strength and wider support regime, including position on part many including people basically opposed Franco that present is no time experiment with measures designed produce political liberalization. Am convinced no substantial liberalization will be forthcoming so long as Communist threat exists and in

event Italy votes Communist, strings will probably be tightened particularly on any political activity that has tinge communism or armed disturbance.

Franco and Spanish authorities seem convinced Spain strategically so important we will of necessity, in our own interest, not only accept regime as is but will extend economic and military aid. This conviction becomes more pronounced as, in their view, tension between US and Russia increases, citing President Truman's joint session and your recent declarations.¹

They very much want cooperate with us in every way so long of course as we leave them run their own political house. They resent exclusion from UN organizations to which they would like belong. They resent refusal send Ambassadors as chief missions and hope our decision will be reversed. But they are not now going modify politically in order obtain these ends. While they have indicated they would prefer direct US aid, in absence thereof I am sure they hope for inclusion ERP, which of course makes sense economically for Europe.

While because of Communist menace Franco probably has greater support politically opposition present economic policies very widespread, including even Cortes and Cabinet members, and increasing. As condition precedent to any US direct aid or through ERP I feel relatively sure economic modification and liberalization can be obtained and may in fact develop by itself because of such widespread opposition.

Foreign Minister and Spanish Govt generally consider US has whip hand question Spain's inclusion ERP. If Spain not included ERP Spanish will probably place principal blame on US and secondarily British, charging British selfish refusal share aid, which may not be too far from truth. Effect refusal include Spain on Franco position difficult analyze. It could weaken him and again he might whip up national sentiment which would serve strengthen him. It would depend largely on how serious army, church and other principal supporters regime consider economic situation to be. Inclusion would of course put these elements more strongly behind Franco but might well throw left-center and left farther left on ground our cooperation with Franco will cause them abandon hope Franco's overthrow. Some consider this group might form strong fifth column event of war. However, there is no way of giving real evaluation this possibility.

¹ For the text of the President's Special Message on the Threat to the Freedom of Europe, delivered in person to a joint session of the Congress, March 17, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1948*, (Washington, Government Printing Office, 1964), pp. 182 ff. For the texts of statements by Secretary of State Marshall, see Department of State *Bulletin*, vol. XVIII, 1948, index items under "Marshall, George C."

Foregoing prepared prior receipt this a. m. Deptel 171, March 23. I have already on several occasions orally and informally with Foreign Office officials covered points included paragraph one Deptel and have made clear dissatisfaction my part Spanish Govt's response February 2 talk. Will take early occasion so tell Foreign Minister.

CULBERTSON

711.52/3-2648

Memorandum of Telephone Conversation, by the Assistant Secretary of State for Political Affairs (Armour)

SECRET

[WASHINGTON,] March 26, 1948.

Participants: Mr. James Forrestal, Secretary of National Defense
Norman Armour—G

Mr. Forrestal telephoned me and asked if there were any prospects of a change in our policy toward Spain. I said that although things were moving along, there was nothing at present. I said it looked a little more encouraging with respect to ERP; that our Chargé d'Affaires in Madrid has had one or two talks with General Franco and we were hoping there might be a change for the better in the internal lineup there. I said that the principal obstacle was the Minister of Commerce ¹ who is holding things up a great deal in the economic field.

Mr. Forrestal asked if this Government's position would prevent U.S. commercial banks from making loans. I said that private loans could be made and that we would be glad to see them made. I said that the International Bank is a UN organization and that the Ex-Im Bank had not done anything so far. I said that if the Safe Haven negotiations are put through, Spanish assets over here would be released and that would give them about \$50,000,000, and that they could then use the gold as collateral. Mr. Forrestal asked when I thought the agreement would be signed. I said that it was supposed to be signed within two or three weeks. I said that we all realized the importance of getting the agreement going. Mr. Forrestal said with them it was almost a matter of urgency. I said that if he had any suggestions as to timing he wished to send to us, we would be very glad to have them. Mr. Forrestal said he might send someone over to give us the background of the reason for this conversation. He asked if Mr. Lovett ³ had returned. I said that he had. He said that he would keep in touch with Mr. Lovett.

NORMAN ARMOUR

¹ Juan Antonio Suances Fernández.

³ Robert A. Lovett, Under Secretary of State.

852.00/3-2948

The Chargé in Spain (Culbertson) to the Secretary of State

SECRET

MADRID, March 29, 1948.

No. 182

I have the honor to refer to recent instructions with regard to United States policy toward Spain and, for what they are worth, to submit a few comments.

It is my understanding that in general American military authorities consider continental Spanish territory to be of major importance to strategic military operations in the Mediterranean and to the keeping of operational lines open to the Middle and Near East. Certainly our military authorities have not at all times seen eye to eye with the State Department with regard to American policy toward Franco Spain, and this has been true presumably because of the value of Spain in the event of hostilities with forces in the east of Europe. Problems of political ideology and American public resentment against Franco were and are of less importance to military thinking than to diplomatic thinking, but military considerations in time of crisis may well override ideological objections and change purely political policy. It certainly looks to me as though we are in or very near a time of crisis, and I am wondering whether circumstances may not soon cause diplomatic thinking to be less concerned with ideologies of the Franco brand and we will undertake to accelerate normalization of relations between the two countries to a point where our present policy may be sort of obsolete. If we are interested in Spain for purely military reasons and we can foresee the need to use Spain and Spanish territory, it should be borne in mind that Spanish transport and her military establishments are presently so antiquated that considerable time would be required to build them up to a point of real value and usefulness.

Our present policy is designed to encourage the Spanish regime to liberalize its structure and practices to a point where we and other nations can in the light of public opinion justify acceptance of Spain into the community of nations. The Regime has no way of knowing, and we have no way of telling it, at what point of liberalization it would become acceptable in the eyes of the western nations. What may be acceptable to the United States might well fall short of what a British Labor Government would accept—and so long as Russia sits on the Security Council, what chance has Spain to become a member of the United Nations or to have membership in United Nations organizations? At the very best Spain, under our present interpretation of the 1946 General Assembly resolution, can not hope for inclu-

sion in United Nations organizations prior to sometime in 1949. The immediate incentive to Spain to adjust her policies is, therefore, not very great.

Of course, one would think that people with normal reactions would welcome a friendly hand by demonstrating through action a desire to be accepted into the community of nations—the western nations that is. Spanish reactions are not however exactly what I would call normal. Likewise, Spanish psychology is different—a psychology influenced by individualism and an inferiority complex which evidences itself in an effort to relive the greatness that was once Spain's. Add to this their conviction that Spanish territory is strategically indispensable and that the western powers, principally the United States, will require Spain in their self-defense interest and you get a stubborn, self-righteous, injured attitude that it is up to the world to change, not Spain. Furthermore, with the iron curtain daily moving further upstage, the Regime becomes increasingly convinced of the correctness of its policies.

For ten years Spain has been kicked around internationally and kicked with vigor, although less vigorously in recent months. She has been ostracized and excluded from international cooperative effort. Small wonder, therefore, that she has a head-in-the-sand reaction to participation in the Western European Union¹ or even to responsibilities concurrent with participation, if she were invited, in ERP.

Such information as filters through the Pyrenees from Paris on current Portuguese efforts to get Spain included in ERP would indicate British opposition plus general lukewarmness on the part of most of the other nations will keep the motion on the table with the resulting effect that Spain will not be invited to participate. I had hoped Spain might be incorporated into the Program on purely economic grounds. Not because Spain would be a major positive contributor to European recovery but because assistance would prop up a wobbly economy and make it possible for Spain to become more self-sufficient, a less drain on world supplies as well as to be in a position to export some commodities of some value to Europe. A busted economy in Spain certainly is not going to make European economic recovery easier and certainly is not going to be a help to political stability. The Western European Union treaty provides among other things for economic cooperation, coordination of production and development of commercial exchanges. Exclusion from that kind of cooperation under ERP where there are benefits is not likely to induce Spain to tie herself into a treaty such as that of the Western European Union, where no such benefits exist

¹For documentation on United States interest in the question of Western European Union, see pp. 1 ff.

and where the military side of which rests in part on a provision of the Charter of the United Nations, membership in which is barred to Spain for a long time to come even though she were to mend her political ways at once.

Normal diplomatic relations, i.e., rank of Chiefs of Mission, is a matter for the distant future for Spain. We are tied down to the 1946 U.N. resolution and will not go contrary to U.N. recommendations, in part because such action would give Soviet Russia an excuse to violate other U.N. recommendations of greater significance.

We must bear in mind that Franco, his Regime and a lot of Spaniards consider that Spain has not done and is not now doing anything wrong in the eyes of the Lord or humanity in general and, furthermore, Spain alone has carried the torch and fight against Communism and that right now is no time to tamper with any forces or individuals whose political purpose is the overthrow of the Regime.

Against that, in their estimation, we are holding out a fairly empty hand of friendship, calling for immediate action in return for which they may a year or so hence receive help and be restored to participation in world affairs. Again I say the incentive to change now is not very great, and frankly I think progress in obtaining change is going to be extremely slow.

On the other hand, the march of world events is not slow and military considerations could, the way things look from here, overtake objections to ideologies of the Franco brand, and as a result we would be confronted with the problem of further modification of policy toward Spain. If there be likelihood of this situation arising, I recommend that further moves be made now.

Basically our objections to the methods of the Franco regime will be no less in the future than they are now. Public sentiment against the Franco regime is most certainly less pronounced now than, say, a few months ago. Bevin² and other British officials are the only official people who have recently kept the Franco issue in public view. Perhaps the British have gotten themselves in such a box with British public opinion that they have no alternative but to oppose Spain's inclusion in the ERP. Nevertheless, your statements and those of the Congress have laid the foundation for Spain's inclusion in ERP on purely economic grounds. A majority vote by the ERP countries to include Spain would give Bevin an out because he certainly has no veto power and could so explain in Parliament. If it is not too late I would like to see us informally and orally indicate to the ERP countries that we think that Spain should be included in the Program on economic grounds. It is the only way I can see which affords a partial bypass of the politi-

² Ernest Bevin, British Secretary of State for Foreign Affairs.

cal question. That would not mean we abandon our efforts to obtain political improvement in Spain. In fact, economic stability and liberalization may well bring with it political stability and liberalization. At no time should we let up on pressure to liberalize politically, and so far as the Embassy is concerned we shall continue to crack the question at every opportunity. The problem is whether liberalization shall be a condition precedent to any further move.

Respectfully yours,

PAUL T. CULBERTSON

852.7962/3-2948

Memorandum of Conversation, by the Assistant Chief of the Division of Western European Affairs (Horsey)

TOP SECRET

[WASHINGTON,] March 29, 1948.

Participants: Major General Samuel E. Anderson, USAF
Colonel Joseph A. Miller, US Air Attaché, Madrid
John D. Hickerson, Director, EUR
Outerbridge Horsey, WE

General Anderson said that Colonel Miller had been called back on consultation as a result of a discussion at the Joint Chiefs meeting at Key West, as to the necessity of having three airfields in Spain constructed and equipped to handle the heaviest US bombers. Mr. Hickerson asked whether the Air Force had in mind that, at the same time that facilities were made available to do this work, specific arrangements should be made for the use of the fields in the event of an emergency. General Anderson said that they would like such base rights, but that he thought they would be able to get them whether or not there was a written agreement. Mr. Hickerson concurred, but thought the price exacted by the Spaniards would be a good deal higher if we waited until the emergency actually had arisen instead of making the agreement now. However, Mr. Hickerson thought we would have to pay that price since he thought it would be politically unwise to make such an arrangement at this time, even in secret.

Mr. Hickerson said that we faced, in the case of Spain, a similar situation to that of Palestine, in which there has been a prolonged build-up of emotional thinking on the question both here and abroad and in which that emotional thinking was in conflict with our strategic defense requirements. Mr. Hickerson thought that joining with Spain in a military way, either on base rights or in furnishing the Spaniards with military training aircraft, would be greeted with dismay by important sections of public opinion in this country. This would be unfortunate at the time when liberal opinion was being brought around to

the necessity of national unity on the Communist question. The interjection of Spain would confuse the broader issue and might lose the Administration the support of influential opinion.

On the other hand, Mr. Hickerson said that there was no objection at all to the expansion and equipment of these airfields and the furnishing of civil aircraft, if the financing was all through private channels. Mr. Horsey said that the negotiations on looted gold would probably be finished within a few weeks and that this would aid the Spaniards in obtaining bank credits in this country. Mr. Hickerson thought that in this way we would get the military benefits under the cover of cooperation in civil aviation. Mr. Hickerson readily agreed that in the event of serious difficulties, the situation on Spain would change overnight.

General Anderson said that he was preparing a paper for the Joint Chiefs on the question raised at Key West and would include Mr. Hickerson's opinion that (a) the securing of base rights at this time was politically inadvisable; (b) the furnishing of any military aircraft at this time was likewise inadvisable and (c) there was no objection to a privately financed civil aviation program involving airport equipment and the largest civil aircraft, such as the DC-6.

840.50 Recovery/3-2448: Telegram

The Acting Secretary of State to the Embassy in Spain

SECRET

WASHINGTON, April 2, 1948—6 p. m.

201. Notwithstanding Franco's anti-Communist record (Embtel 202 Mar 24) inclusion Spain under present conditions would be manifestly contrary to purposes of ERP. Bill declares it "to be policy of people of US to sustain and strengthen principles of individual liberty free institutions and genuine independence in Europe through assistance to those countries of Europe which participate in joint recovery program based upon self-help and mutual cooperation".

View of this Govt has been and continues to be that initiative on Spain inclusion lies with original CEEC countries. They have made it crystal clear that it is politically impossible for them to cooperate with Spain along lines ERP under present conditions there.

Immediate and violent reaction in West European countries and here against proposed inclusion Spain underlines views of this Govt which you expressed to FonMin Feb 2 and since. You should press home to him and to all who are in position to influence course of events in Spain vivid illustration which this episode provides of necessity of their taking steps along lines previously indicated by you if pres-

ent relations with US and West European countries are to become fully normal. We shall do same with Baraibar¹ here.

Sent Madrid 201 for action, rptd Amvat 9, London 1142, Paris 1068 for info.

LOVETT

¹ Germán Baraibar, Spanish Chargé d'Affaires in the United States.

840.50 Recovery/4-648: Telegram

The Acting Secretary of State to the Embassy in Spain

SECRET

WASHINGTON, April 6, 1948—noon.

207. Following reply was made by Secretary to Brit Amb Bogotá¹ in response to *aide-mémoire* text² being repeated separately:

"I would appreciate your sending following message to Mr. Bevin in reply to message which you were good enough to convey to me in your *aide-mémoire* Apr 1.

I have fullest understanding for concern expressed by Mr. Bevin at proposal for immediate inclusion of Spain in ERP, which appeared to be effect of amendment passed by House of Representatives Washington on Mar 30.³

Mr. Bevin will no doubt have seen statement made in Washington by President's Press Secretary⁴ on April 1 to effect that President was opposed to inclusion of this amendment. Amendment has now been deleted⁵ and view of US Govt remains that initiative on inclusion of Spain remains with Governments represented at original conference of CEEC in Paris".

LOVETT

¹ Gilbert MacKereth, British Ambassador in Colombia. Secretary Marshall was in Bogotá to attend the Ninth International Conference of American States, March 30–May 2, 1948; for documentation on this conference, see vol. ix, pp. 1 ff.

² Not printed.

³ A resolution introduced by Representative Alvin E. O'Konski, of Wisconsin, to make Spain eligible to participate in the European Recovery Program, was adopted on March 30.

⁴ Charles G. Ross.

⁵ The amendment was not included in the final version of the Foreign Assistance Act of 1948, which is Public Law 472, 80th Congress (62 Stat. 137).

852.00/4-2848: Telegram

The Chargé in Spain (Culbertson) to the Secretary of State

CONFIDENTIAL

MADRID, April 28, 1948—4 p. m.

294. Embtel 263, April 19.¹ Pre-Italian election propaganda build-up and earlier Spanish anticipation democratic defeat in Italy

¹ Not printed.

would result in our bringing Franco into ERP fold was so blatantly cockeyed that Spanish Government now apparently in quandary how approach international situation or what propaganda line to follow although vestiges still seen of recent violent anti-democratic and self-inflated campaign. Renewed rumor, which may have some foundation, that holding of municipal elections will soon be announced indicates possible effort part of government build up diversion public attention from world affairs and Spain's isolation. Any recession of Communist threat and evidence power and coordination of democratic forces leaves Franco's usual Communistic scarehead propaganda with decreasing effect and likewise they adversely affect Franco local strength so long as there be no external issue made over Franco. As ERP moves forward and as Franco sees that we are not as desperately in need of Spain strategically as he had thought, it is not entirely out of realm of possibility that we might get some degree of political and economic liberalization in Spain in not too distant future. From our standpoint here I think our best bet for moment is to stand off and let present quandary develop and not give any encouragement or peg on which Franco can hang his propaganda hat. In meantime Embassy will keep plugging along lines of Department's instructions of last December² and let them know those possibilities still open. If any Department officers talk with Lequerica³ efforts should be made disabuse his mind O'Konski House vote represents American public opinion. Our efforts with plan here have had little success and conviction widespread in official circles that US public opinion will soon force overtures to Franco on his own terms.

CULBERTSON

² See telegram 903, December 18, *Foreign Relations*, 1947, vol. III, p. 1096.

³ José Felix Lequerica, Spanish Foreign Minister, 1944; Inspector in the Spanish Foreign Service.

852.50/6-1348 : Telegram

The Chargé in Spain (Culbertson) to the Secretary of State

SECRET US URGENT

MADRID, June 13, 1948—1 p. m.

NIACT

391. Deptel 348, June 11.¹ Embassy believes following measures could be adopted by Spain to amend economic policy and eliminate objectionable practices:

1. Establishment valid exchange rate. This would allow Spanish products compete foreign competitive markets, provide exchange for needed imports, eliminate need of private and official resort to exchange black market and for use complicated and unsatisfactory trade ma-

¹ Not printed.

chinery such as combined account, and would attract return to Spain of substantial amounts of assets held abroad by Spaniards.

2. Amend policy on treatment foreign investment, removing present restrictions on: (a) limitation foreign capital and management participation Spanish industry to 25 percent; (b) transfer or local investment of profits.

3. Modify or limit state control, ownership, and operation economic enterprise so as to: (a) eliminate unfair state competition and encourage private enterprise; (b) restrict operations state holding company INI to original objective of fostering essential industry not realizable by private capital; (c) remove unproductive intervention of vertical syndicates; (d) abolish or at least limit substantially official intervention secondary distribution imports and discriminatory allocation domestic production.

4. Revise foreign trade policy to: (a) avoid uneconomic channelization through bilateral clearing; (b) provide equal treatment on transfers of profits and earnings; (c) correct discriminatory practices in issuance import licenses as between state and private entities, national and foreign entities, and as between countries of origin; (d) eliminate costly delays in licensing procedures; (e) abolish minimum price restrictions on exports.

5. Modify price control to: (a) allow prices to reflect true value of product; (b) terminate current misrepresentation of real costs of production and cost of living; (c) eliminate forced employment by private industry of black market to obtain raw materials which arises directly from discriminatory system of allocations.

6. Abolish miscellaneous uneconomic trade policies and practices such as: (a) employment of registration of patents and trademarks as a protective measure; (b) use of excessive export and import levies for subsidy purposes.

Above measures believed feasible. Spanish business, banking, and industry are opposed present economic policies regime including those above enumerated. However, in spite this opposition, Franco has taken no corrective measures and any changes definitely dependent on will of one man. Likewise, lucrative vested interests many Franco supporters sure prove stumbling block. Nevertheless, present day Spanish economic policy largely result of attempt cope with relative economic isolation plus certain official preference for controlled economy. If Franco can see way out of that isolation, corrective measures present policies quite possible. Embassy convinced, however, that such measures would have little likelihood success unless commercial, financial, industrial elements of country are effectively brought into both formulation and execution economic policy. Reforms, if adopted and executed by generally inept government administrators and executives operating without effective participation of those who know and understand the needs of Spain's economy, could at best bring only mediocre results. Hence, effective incorporation of these elements in policy formulation is, without doubt, the most essential change required.

CULBERTSON

852.51/6-2248

*Memorandum by the Director of the Office of European Affairs
(Hickerson) to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] June 22, 1948.

Late in March, General Anderson told me of the Air Force's desire to have some of the most modern equipment installed on the three big airfields in Spain in connection with possible future use of those fields by American military planes. We agreed that the best means of proceeding would be a private loan for the purchase and installation of such equipment. Secretary Forrestal concurred and sent two officers to discuss the question with Mr. Aldrich ¹ of the Chase Bank. I do not know the details of that conversation but was advised that Mr. Aldrich said the Bank would be glad to discuss such a loan with representatives of the Spanish Government. On April 6, I wrote Culbertson in Madrid concerning the matter, stating that Chase would be prepared to discuss such a loan but that no Export-Import Bank or other US Government financial participation was contemplated. A copy of my letter is attached.² Colonel Miller, our Air Attaché in Madrid, was here at the time and may have got the impression that Secretary Forrestal had obtained Aldrich's agreement to furnish the loan regardless of security.

A Colonel of the Spanish Air Force and a representative of Iberia Airlines have been here for some time negotiating with Chase for a loan both for airport equipment and for planes. We hear from the Bank, from the Spanish Embassy here and from our Embassy in Madrid that the Spanish representatives got the impression that the loan had been completely arranged, regardless of security, and that all they had to do was come to New York and sign. Chase has asked for gold coverage and the Spanish are unwilling to give it.

In an effort to straighten the matter out, Achilles, after checking with Blum ³ in Forrestal's office, has told the Bank and the Spanish Embassy that as far as we are aware, the Spanish were told in Madrid, and in any event they should have been told, that the position of the State and National Defense Departments is that this Government hopes the loan can be worked out satisfactorily, that Chase was prepared to discuss such a loan, but naturally the terms and security must be worked out in agreement between the Spanish and the Bank.

Schermerhorn, Chase's Washington representative, stated this morning that the Bank would probably refuse the loan unless the Spanish were willing to offer gold or unless someone in either State or National

¹ Winthrop Williams Aldrich, Chairman of the Board of the Chase National Bank of New York.

² Not found in Department of State files.

³ Robert Blum, economist in the Department of State, temporarily attached to the Department of Defense.

Defense specifically told them that the national interest required the loan to be made regardless of collateral. This was passed on to Forrestal's office.

I understand Forrestal plans to consult you about this. I recommend that we give our position, namely, that both Departments are interested in seeing the transaction completed but that the terms must be worked out between the Spanish and the Bank unless Forrestal is sufficiently interested to ask the Bank to make the loan without security, in the national interest.⁴

If there should be any publicity concerning the matter, our position would be that we favored the loan in the interest of promoting safety in international aviation.⁵

⁴ Marginal note to this paragraph: "Passed this on to Forrestal. L[ovett]".

⁵ Telegram 385 of June 30 informed the Embassy in Spain that the Departments of State and National Defense had decided that it would not be justifiable to tell the Chase Bank that "national interest required loan be made regardless collateral". The telegram further stated that Baraibar had again been informed that participation by the Export-Import Bank was not possible, and that he expected the Spanish negotiations with the Chase Bank to fail unless the Spanish Government agreed to put up gold collateral, as the Bank required.

852.00/6-2948

*Memorandum of Conversation, by Mr. William B. Dunham of the
Division of Western European Affairs*

CONFIDENTIAL

[WASHINGTON,] June 29, 1948.

Participants: Mr. Baraibar, Chargé d'Affaires of the Spanish
Embassy
Mr. Achilles, Chief, WE
Mr. Dunham, WE

During his call this morning, Mr. Baraibar was shown a copy of a telegram ¹ from Mr. Culbertson in which he reported that he had been informed by the Foreign Minister that the Spanish Government expects to announce within the next few weeks the holding of municipal elections in Spain sometime during October or November.

Mr. Achilles said this was a very hopeful sign and he hoped the Spanish Government would go through with this action. He felt that any measures taken by the Spanish Government to dramatize the elections would be helpful in indicating to the world that Spain, in its own way and its own time, was moving in the direction of more liberal domestic policies. He mentioned to Mr. Baraibar that any of these actions taken before the forthcoming General Assembly in Paris would undoubtedly have a beneficial effect.

¹ Not printed.

S52.00/9-148

Policy Statement by the Department of State on Spain

SECRET

WASHINGTON, July 26, 1948.

A. OBJECTIVES

The primary objective of United States policy toward Spain at this time is the reintegration of Spain, politically, economically and militarily, into the free western European community of nations through the progressive normalization of Spanish relations with those countries and with the US.

B. POLICY ISSUES

Although public opinion in Europe and the United States concerning Spain has moderated markedly in the past two years, full realization of our objective toward Spain will be difficult if not impossible without at least some political and economic changes within Spain.

Such changes in Spain can be brought about only by the Spanish people themselves, not by interference from abroad. The primary desire of the Spanish people, other than extreme leftists, is unquestionably for stability and the avoidance of a recurrence of civil strife. We emphatically do not desire to see the Spanish state weakened to a point at which disorder and civil strife might ensue. However, the indefinite prolongation of the present conditions of oppression and corruption within Spain can only lead to an explosive political situation unless relieved in a gradual and orderly manner. For these reasons we are attempting to persuade the Spanish Government that its own interest in regaining reacceptance into the international community and in future order in Spain require some moderate evolutionary steps. We fully realize that a broadly free and democratic regime is both almost unknown in Spanish history and impossible of attainment at any time in the near future.

1. POLITICAL

In line with this policy, the US discouraged further international pressure upon Spain at the 1947 session of the UN General Assembly. The majority of UN members, other than the Soviet bloc, appeared to share our view that real improvement in the Spanish regime could not be brought about through pressure from abroad. The US delegation successfully opposed reaffirmation of the 1946 General Assembly resolution on Spain, but this resolution has not yet been repealed, and our policy must take it into account. Because of the importance attached by this government to the principle of compliance with UN

recommendations, we should take no action contrary to the 1946 Resolution on Spain until it is rescinded or modified.

In seeking to encourage political and economic changes in Spain, we are offering no direct suggestions as to the form or composition of the Spanish Government, taking the position that whether that government be monarchial or republican or whether or not it includes Franco or any other individual are matters for determination by Spaniards alone. We believe that friendly emphasis on the advantages to Spain of evolution, in contrast to Soviet-inspired pressure for a complete overthrow of the government, can exert a powerful effect both upon the government itself and upon many groups in Spain who desire social and economic changes based on a more representative form of government, but who fear chaos and disorder should the present regime be overthrown suddenly. At the same time, we are of course mindful of the difficulties impeding evolution, including the obstinacy of Franco and his close supporters, passions remaining from the Civil War, the inherent instability of Spanish politics, the complacency and support of the present regime by various rightist groups and the present repression of political expression in Spain.

Insofar as the US attitude can have influence within Spain, we hope to convince rightist elements now supporting the regime, particularly the Army and the Church, that we do not favor foreign intervention in Spain and are not seeking to reverse the outcome of the Civil War, but we do hope to see orderly evolution toward a more broadly based government, under which their legitimate interests would not suffer and which would restore Spain to its full political and economic place in the international community. We hope the center and non-Communist left will recognize that such evolution will afford a better chance for genuine attainment of their objectives than revolution.

2. ECONOMIC

In the economic field we contemplate gradual and unobtrusive relaxation of existing trade restrictions. The shortage of dollars and the corrupt and inefficient control of economic affairs in Spain by the regime are, however, the chief obstacles at present to an increase in private US-Spanish trade. Without gold as collateral private US banks have been unwilling to extend loans to the Spanish Government or to private Spanish firms. The Department, when consulted about private trade credits, has stated that there is no objection on political grounds to such loans, but leaves the question of the economic risk involved to the judgment of the bank. The satisfactory conclusion of the looted gold negotiations on May 4, 1948 should, however, relieve this situation and facilitate the extension of private American credits since the Spaniards are now able to use gold as collateral. While pri-

vate loans will serve as a certain stimulation to private trade, a real improvement in Spanish internal economic conditions, particularly as they apply to foreign trade, will probably be a necessary prerequisite on purely commercial grounds before US firms will feel inclined to trade with Spain in any substantially increased volume.

We do not now contemplate either direct governmental financial assistance to Spain or indirect financial assistance, such as US Government participation in credits extended by private US firms to Spanish firms or to the Spanish Government. Positive economic assistance from this government should await, and serve as an inducement for, the taking of concrete steps toward liberalization in Spain. We expect to coordinate our economic assistance with political developments in Spain and to utilize it to encourage evolution.

The inclusion of Spain in the European Recovery Program will also probably depend upon the degree of international "respectability" which Spain is willing and able to attain. The question of Spain is still a domestic political issue in many of the western European countries. The United States has taken the position from the beginning that the initiative for inviting Spain to participate in the ERP lies with the participating nations. We have not suggested and have no intention of suggesting to these nations that Spain be included. Whether these nations do in fact eventually invite Spain to participate will undoubtedly depend upon steps which the Spanish Government is willing to take to improve its international reputation and thus make it politically possible for a majority of the ERP countries to invite Spain to participate. If these nations should decide at some future time that conditions have changed and they wish to propose the inclusion of Spain, we have indicated publicly that we will consider that new situation on its merits.

C. RELATIONS WITH OTHER STATES

D. POLICY EVALUATION

The necessity for political and economic changes within Spain to bring about full normalization of relations between Spain and the western nations springs from the situation which now prevails in Europe. This situation is still primarily political, not military, and as such must be dealt with by the US in political terms.

Politically and militarily our two principal Allies in Europe are Great Britain and France. Their strategic interest in Spain is greater than ours. While at least the military in both countries favor the earliest practicable integration of Spain into the western strategic pattern, both governments consider public acceptance of Spain into the international community politically impossible at this time or until there

has been some evolution within Spain. In the implementation of our policy toward Spain, therefore, we must have due regard for the political effect our actions in Spain have on the problems which confront US policy in the rest of Europe. At the same time, we wish to promote those projects in Spain in which US military authorities are interested, insofar as that is possible within the limits of our policy.

Since 1946 Spain has been a widely publicized and highly emotional issue in a great many countries of the world. In particular the Socialists, who either control or hold the balance of power in almost every western European government, have an emotional repugnance for Franco nearly as strong as, and in some cases stronger, than their repugnance for Communism. The repercussions caused by the recent vote in the House of Representatives concerning Spain has indicated the political proportions of the Spanish issue abroad as well as the objection to the Franco regime which still exists in this country. Overly precipitate action on our part in normalizing relations with Spain at this time would encounter public criticism in the US, dilute our prestige in many western European countries and embarrass our efforts to encourage closer economic and political collaboration between those countries.

The military problem with respect to Spain is based on the strategic value of Spain's geographic location and the importance of preventing Spain from coming under the control of a Communist, or Communist dominated, government. In this connection, our military authorities believe it is important, as we do, to assist Spain in the rehabilitation of its economy. This is, of course, one of the important considerations which impel the US to encourage economic and political changes in Spain which will make it politically feasible for the US and the western European nations to assist Spain in restoring its economy and in regaining its place in the international community.

Up to the present time the Spanish Government has been completely unresponsive to the statements of US policy which have been made to Spanish officials. Spanish fear of Communism and the imminence of another war have increased the strength and support of the regime, including the support of many sections of the population who are basically opposed to the Franco regime but who have felt that the time was not propitious to experiment with measures designed to produce political or economic modifications. Also, the Franco regime has been confident that Spain's strategic geographic location is so important to the Western nations, and particularly to the US, that it would not only be unreservedly accepted by these nations but would also receive economic and military aid. This conviction became more pronounced as, in Franco's view, tension between the US and the USSR increased as a result of Soviet encroachments and aggressive tactics in Europe.

The Communist set-back in Italy, the gradual improvement in the

situation of democratic forces in western Europe, the relative political calm prevailing in Europe and the favorable progress of ERP have now come apparently as a sudden and unsettling surprise to the Spanish Government. These developments are also beginning to cause moderate Spanish opponents of Franco's regime, as well as his more objectively minded supporters, to consider the advantages of possible modifications of the regime in order that aid now essential to Spain may be received from abroad either directly from the US or through ERP. As this internal discontent counts, as ERP moves forward and as Franco sees that the west is not so desperately in need of Spain strategically as he had thought, it is possible that he may be forced to accept some degree of political and economic liberalization—provided, of course, that no external issue is made of his regime which would enable him again to whip up nationalistic feelings and rally the nation to his support. The possibility of any liberalization will also depend on how serious the Army, the Church and the other principal supporters of the regime consider the economic situation and the need for aid to be. While a recent loan from Argentina and the new commercial agreements with France and the UK will undoubtedly partially relieve Spain's economic problems, and may even assist Franco in postponing any measures of change, capital equipment and long term loans are still required in the rehabilitation of Spain's economy. These are matters in which assistance is required primarily from the US, a fact which is expected to act as an incentive in encouraging action in Spain along lines desired by the US.

We believe, therefore, that the most desirable course of action for the present is to avoid international pressure on Spain and to continue our efforts to emphasize the need for political liberalization, disabusing Spanish minds of the conviction that US public opinion will eventually force us to accept Franco on his own terms. We can concurrently encourage private trade with Spain and private investment on a purely business basis, and we can develop informal contact between Spanish and US military authorities, provided in all cases our political line is made clear.

710.52/7-2848 : Circular airgram

*The Secretary of State to Diplomatic and Consular Offices in the American Republics*¹

SECRET

WASHINGTON, July 28, 1948—9:20 a. m.

The Brazilian Ambassador² informed us on July 21 that his Government was disturbed over the effect on the UN of the gradually

¹ Information copies were also sent to the Embassy in Madrid and the United States Mission to the United Nations.

² Mauricio Nabuco.

increasing number of Ambassadors or Ministers assigned to Spain by various of the American Republics. He also mentioned the effect on inter-American relations of the division over this point with some American Republics bitterly opposed to closer relations with Spain. There is obviously a difference of opinion as to whether the 1946 Resolution on Spain is still in effect. Although, the Brazilian Government does not agree with the US that the Resolution is still binding (see Depcirgram Dec. 30, 1947 ³) and would like to send an Ambassador to Spain, it believes the doubt about the 1946 Resolution should first be resolved in the UN. We suggested that Spain would probably come up for discussion at the General Assembly this Fall and that this matter could be considered at that time. The Ambassador felt it would be well for the US and Brazilian Governments to exchange views with the other American Republics and perhaps with other governments. He thought this might also tend to forestall the sending of Chiefs of Mission to Spain by American Republics pending possible General Assembly action. We agreed with his suggestions.

We have already initiated discussions with the British and French to get their views and to see if it will be possible to agree on a common position. In substance the following considerations have been presented:

The support and strengthening of the UN is a fundamental principle of our foreign policy and we attach importance to scrupulous compliance with UN recommendations. Since the UN Resolution of December 12, 1946 on Spain was not repealed by the 1947 General Assembly, we intend to continue to adhere to its recommendations so long as it remains in effect.

However—and without going into historical detail—we have long questioned the advisability and efficacy of this Resolution and experience has strengthened our doubts. It has failed in achieving its intended purpose, namely, encouraging a change in the Spanish Government. Furthermore the Resolution has not received the full respect of the member states of the UN. The portion relating to Chiefs of Mission has been violated and there are indications of the possibility of additional violations of that provision. This lack of respect for a UN resolution is injurious to the UN. It would be better for the UN to recognize a mistake and repeal the provision not engendering respect than to allow it to expire in a lingering fashion through repeated violations. Therefore, if a substantial number of governments indicate a desire at the next General Assembly session to repeal or modify the 1946 Resolution, we would be prepared to seriously consider such proposals.

We recognize that there is little, if any, possibility that such action will succeed until the Spanish Government has undertaken some modifications in its domestic policies which will make it less objectionable to public opinion in the Western nations. Even in the absence of such

³ *Foreign Relations*, 1947, vol. III, p. 1099.

modifications, however, we are prepared to vote in favor of certain changes in the Resolution, basing our action on our honest belief that the Resolution has proved to be an ineffective gesture. In this connection, we would favor either or both of the following two changes if they are proposed at the next General Assembly session: (1) amendment of the 1946 Resolution to permit the admission to membership in technical organizations affiliated with the UN of any non-UN member when such member, in the opinion of the organization, will contribute to the special technical objective of the organization; (2) deletion from the Resolution of the recommendation concerning the withdrawal of Ambassadors and Ministers from Madrid.

In the event that there are indications before the General Assembly meets that the Spanish Government is undertaking a liberalization of its domestic policies, we would then be prepared to consider, to the extent justified by the actions of the Spanish Government: (1) giving active support to the above changes or (2) voting in favor of repealing the 1946 Resolution.

It is suggested that, at your discretion, you take a suitable opportunity to discuss this question with the FouOff, reporting any conversations to the Department.

MARSHALL

852.00/8-2548

Memorandum of Conversation, by the Chief of the Division of Western European Affairs (Achilles)

CONFIDENTIAL

[WASHINGTON,] August 25, 1948.

Participants: Mr. Felix Lequerica, Spanish Inspector
Mr. Hickerson, Director, EUR
T. C. Achilles, WE

Lequerica called at his request. Mr. Hickerson opened the conversation by observing that he must be making a rather thorough inspection of the Spanish Embassy and Consulates. He laughed and stated in reply to the question that he had been here for four months. Mr. Hickerson commented that our own inspections of large posts abroad sometimes took as much as four or even as much as five months.

Mr. Hickerson observed that conditions in Spain were conspicuously unchanged in both the political and economic fields. Mr. Lequerica deprecated the need for any political changes but thought economic changes both desirable and possible.

Mr. Hickerson reviewed UN action on Spain. The 1945 [1946] Resolution excluding Spain from membership in the UN was obviously entirely within the competence of the organization. Its subsequent actions on Spain had been open to question on two counts: they came very close to attempted intervention in domestic affairs and they were

based on the unsound premise that conditions in Spain threatened the maintenance of peace. We had in 1946 and 1947 questioned both the advisability and the efficacy of the action taken. While we did not believe that, in the absence of substantial change in Spain, there was any likelihood that two-thirds of the members would support either repeal or modification of the 1946 Resolution, we would be prepared to support modification both concerning membership in affiliated agencies and concerning the sending of Ambassadors but not ourselves to initiate such action.¹

Mr. Lequerica handed over the attached informal paper and expressed the belief that the difficulty of obtaining a two-thirds majority for repeal could be avoided by presenting a new Resolution substantially identical to the 1946 one, which would presumably fail to obtain two-thirds. Mr. Hickerson commented that whether such action would effectively repeal the 1946 Resolution or not would depend largely on the Secretary General's verdict. Mr. Achilles added that a number of governments would probably be antagonized by the transparency of such a maneuver.

Mr. Lequerica stated that much could be accomplished, including "miracles" in the economic field if the United States had contact with Spain through an Ambassador in Madrid. Mr. Achilles reminded him that any time the Spanish Government wanted contact with the U.S. Government it had only to approach our Chargé in Madrid or use its own Chargé in Washington. Lequerica stressed Spanish pride and prestige and said that when Norman Armour had been Ambassador² he had been able to "obtain" several desirable changes. Mr. Achilles interjected that we were not interested in "obtaining" anything from Spain, that it was the Spanish Government which was interested in obtaining readmission into the international community and were merely giving friendly advice as to how it might go about doing so.

The conversation ended with Lequerica saying that progress was up to the United States and being advised that in our opinion it was definitely up to Spain.

[Annex]

During 1946 it was proposed to recall the Chiefs-of-Mission from Madrid. This motion was passed by the General Assembly of the United Nations with the required two-thirds majority. Consequently many nations recalled their Chiefs-of-Mission, excepting the Argen-

¹ The last seven words of this sentence were written in and initialed by Hickerson.

² Mr. Armour had been Ambassador in Spain from April 15, 1944, to December 31, 1945.

tine which sent an Ambassador to Madrid claiming that the motion had only been a recommendation.

In 1947 the same motion again was put to a ballot. The United States voted against it and the resolution was not passed as it failed to obtain the two-thirds majority required by the rules. Thereupon the U.N. member-nations were free to send Chiefs-of-Mission to Madrid; this Bolivia, El Salvador, Santo Domingo, and Peru have done.

According to the U.N. rules of procedure no new resolution is needed to normalize diplomatic relations with Madrid, but the Department of State alleges moral reasons for not appointing an Ambassador. It states that if the 1947 resolution did not receive the two-thirds vote necessary for its approval according to procedure, morally it is not binding as a majority of votes were not cast on the resolution.

Perhaps a new and favorable resolution might be taken regarding Spain reversing the 1946 resolution and clearly permitting the return of Chiefs-of-Mission to Madrid and the renewal of full diplomatic relations. For such a resolution to be passed two-thirds of the votes cast would have to be "ayes".

But if this did not happen? We could have the paradox of a majority voting in favor of full diplomatic relations and yet not have a new and favorable 1948 resolution. And have at the same time a resolution favoring renewal of relations in 1947 owing to the fact that that resolution was defeated even though by a minority. What would the United States and, perhaps, other nations do in this case? Follow the desire of the majority who voted in favor of full diplomatic relations with Spain (1948) even though the agreement was not valid because it did not obtain the votes of a two-thirds majority? Or feel scrupulous and maintain that, although there had been a majority, it had not been of two-thirds and that, therefore, normal diplomatic relations could not be taken up with Madrid? But if this was alleged, why not apply the principle to the 1947 vote which, according to procedure, permitted full diplomatic relations even if the motion were passed by a minority?

To solve this situation naturally and within legal bounds is to follow the 1947 resolution without any new vote. The majority will be determined individually by the nations as they send representatives to Madrid and can be obtained through a special agreement between the nations favorably inclined.

If because of some unexplained resistance this solution were not reached, it would be expedient to vote on a new negative resolution such as those of 1946 and 1947—contrary to Spain—which, most probably, would not receive the two-thirds majority necessary for approval, as in 1947, but which, considering the present attitude of many countries, might even be turned down by a majority.

Or again, an explicatory resolution could be passed to determine whether the 1946 or the 1947 recommendation should be followed, but this only if such an agreement did not require, as we believe, a two-thirds majority of all votes but only a simple majority as per procedure.

852.00/9-2148

The Ambassador in Portugal (MacVeagh) to the Secretary of State

SECRET

LISBON, September 21, 1948.

No. 352

SIR: With reference to my airgram no. A-319 of September 14, Madrid's despatch no. 548 of September 19, and related messages,¹ I have the honor to add to the Department's supply of "intelligence" on the recent meeting off the coast of San Sebastián between General Franco, the Spanish Dictator, and Don Juan, the Spanish Pretender;² by quoting below the account of a person close to the latter, as reported by an American controlled source. My reason for thus perhaps gilding the lily of rumor is that this report is of so detailed and factual a character as to create a strong impression of verisimilitude if not actually to compel belief.

"According to my informant, the interview between Don Juan and General Franco was prepared in a most secret manner by Franco, so that not even his closest collaborators knew his intentions. Artajo, the Foreign Minister, and Fernandez Cuesta, the Minister of Justice, who were with Franco at the time, were thunderstruck to learn of the meeting from an outstanding monarchist of Bilbao; neither one was willing to believe it. The Duke of Sotomayor was chosen by Franco to handle all details of the interview. The motive alleged for it by Franco was his desire to have Prince Carlos, Don Juan's oldest son, sent to Spain for his education.

"Arrangements were made to have the *Azor*, with Franco on board, meet the *Saltillo*, carrying Don Juan, at a specified spot in the Bay of Biscay. It was planned that Franco would board Don Juan's yacht, but the rough seas made manoeuvring a bit difficult, and so it was necessary to change plans. Then Don Juan went aboard the *Azor*. As he went aboard he was greeted with the honors paid to a captain-general, and Franco greeted him as "Your Majesty".

"Franco told Don Juan that he was a hundred percent monarchist and reiterated his desire to restore the monarchy in Spain. He mentioned Don Juan's father, Alfonso XIII, whose faithful servant he had been; he mentioned other outstanding monarchists, of one of whom, Calvo Sotelo, he had been a great friend. In talking of them

¹ None printed.

² This meeting took place on August 25. Various reports and rumors about the meeting were included in other messages from Lisbon and Madrid. (Department of State file 852.00)

Franco's eyes filled with tears, but Franco is reputed to cry very easily.

"Franco finally came to the point: he wanted Don Carlos in Spain, where he would be treated as a royal personage and could complete his education. Don Juan refused, giving as his reason that his son could not be educated in Spain because there was no liberty of any kind there; Franco would first have to grant broad liberty of press and propaganda to the monarchists. So long as that was not a reality it was useless to expect that Don Carlos could go to Spain for his education.

"Thus, no agreement was reached, but Don Juan is in an attitude of hesitancy, wondering what reaction will be produced in Franco, and wondering what attitude Franco will take as regards the Spanish monarchists after the demands which Don Juan made on him.

"Don Juan came away from the interview with a bad taste in his mouth. He says Franco is the most cunning and sly person he knows; that his monarchist assertions are false and deceitful; that he is doing nothing but trying to save his own position; that Franco deeply hates the monarchists. The attempts to take Don Carlos to Spain supposedly to be educated are nothing but a snare to obtain possession of his son, then play the role of monarchist by proclaiming an indefinite regency in which Franco would be the only authority. Don Juan will not be persuaded to change his mind for any tears or any phrases of Franco.

"Don Juan was aghast at the reports published in Spanish papers and disseminated by Spanish agencies that it was he who asked for the interview. At the present time he does not intend to issue an official denial, preferring to wait and see what reactions the interview produces on Franco."

Respectfully yours,

LINCOLN MACVEAGH

S52.00/9-2248 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

SECRET US URGENT

PARIS, September 28, 1948—4 p. m.

5076. Prieto¹ group informs us that agreement has been reached between Spanish Monarchists and exiled Spanish Socialist Party for political collaboration designed to lead to replacement Franco by caretaker regime which would prepare for national plebiscite for new Spanish constitution.

This represents culmination of year's negotiations between representatives of Indalecio Prieto and Gil Robles.²

Copies of signed agreements will be presented to governments of US, UK, France, Belgium, Holland, Luxembourg on Wednesday, Oc-

¹ Indalecio Prieto y Tuero, leader of the Spanish Socialist Party in exile.

² José Mari Gil Robles y Quiñones, leader of the Spanish Monarchists in exile.

tober 6, to be followed by public announcement. Socialists desire to present their notes at respective Embassies in Paris while Monarchists intend to present theirs simultaneously at respective Embassies in Madrid. It is possible that Prieto may have met with Suñer³ during course of negotiations, but Suñer and element he represents are definitely excluded from alliance. The Monarchists are represented by Gil Robles, with whom Don Juan is reported to be on closest terms.

On Republican side, Socialists represent not only their own party, but also exiled trade union movements, CNT and UGT. They also enjoy support exiled Izquierda Cataluna (Catalunian Left Party), and Alianza Democracia (clandestine non-Communist Republican movement inside Spain).

All Republican elements under Communist influence have been rigorously excluded from negotiation. These include, in addition to Spanish Communist Party, discredited and isolated remnant of Spanish Government in exile under Albornoz and José Giral;⁴ also fractional fellow-traveler elements from other parties, grouped in Communist Front organization known as "Fighting Spain". Although Negrín⁵ reportedly has broken with Del Vayo,⁶ former has not been consulted by Prieto group, who still regard him with suspicion.

By grouping together all Republican and Monarchist elements and excluding Communists and Falange, it is intended to provide necessary broad basis for substitute regime which was demanded in British-French-US tripartite note of 1946.⁷

It is expected that Communists will launch violent attack upon this program, accusing Socialists of betraying their Socialist and Republican principles. It is not thought likely, however, that Spanish Government in exile will join in these attacks. Their position is generally considered too precarious.

Sent Department 5076; repeated Madrid 90, London 1003.

CAFFERY

³ Probably a reference to Carlos Pi y Suñer, a Spanish left wing radical in exile.

⁴ Álvaro de Albornoz y Liminiana, Prime Minister of the Spanish Government in exile; José Giral y Pereira, Prime Minister of the Spanish Government in exile during 1947.

⁵ Juan Negrín López, leader of the Spanish Left Wing Socialists in exile.

⁶ Julio Álvarez del Vayo, a leading Spanish Republican in exile.

⁷ For text, see Department of State *Bulletin*, March 17, 1946, p. 412.

852.01/10-448

Memorandum of Conversation, by the Secretary of State

SECRET

[PARIS,] October 4, 1948.

Participants: Secretary Marshall
Dr. Schuman, French Delegation
Mr. Bevin, British Delegation

Dr. Schuman opened the meeting¹ with the subject of Spain. He had an agenda which I gathered had been proposed by Bevin at some earlier meeting, but which was entirely unknown to me.

I was asked to comment first and explained that the recognition of Spain presented no particular problem in the United States, that the problem of my Government was consideration for the reaction of the peoples in Italy, France, Belgium, Norway and England, while at the same time encountering the rapidly developing effort on the part of Latin American countries to cancel the resolution of two years ago which was introduced by Poland. I explained that through Dr. Fernandes of Brazil² I had learned that the Latin Americans were very much concerned over the preferential position occupied by Argentina in having an ambassador in Madrid, and that their motions in this affair were directed entirely to correct that situation and lessen the prestige of Argentina accordingly. I had explained to Dr. Fernandes that that was a very minor problem compared to the tremendous importance of the reactions of the people of Western Europe, to which I had to give my first attention in the present crisis.³

I explained that the recent statement by Senator Gurney,⁴ which I had not yet read, was not inspired by the Government, but was purely his own reaction, and that the military officers who accompanied him to Madrid were the liaison officers from the Army, Navy and Air to the Congress, and evidently had accompanied Gurney since he was the Chairman of the Armed Forces Committee of the Senate. They were not representing serious military considerations so far as I knew.

¹ The three foreign ministers, who were also taking part in the sessions of the United Nations General Assembly at Paris, met at the Quai d'Orsay at 3:30 p. m.

² Dr. Raúl Fernandes, Foreign Minister of Brazil.

³ For documentation on the Berlin blockade, see vol. II, pp. 909 ff.

⁴ Senator Chan Gurney, of South Dakota, Chairman of the Armed Services Committee of the United States Senate, conferred with General Franco at Madrid on September 30. At a meeting with the press following the talk with Franco Senator Gurney recommended the reestablishment of diplomatic relations between Spain and the other great powers.

I went on to explain that I did not know how we would proceed to a final solution of this question; that Spain offered important cooperation to the European Recovery Program and also the strongest military force in Western Europe, neutral Sweden being next in power.

Mr. Bevin then explained the situation of his Government, illustrating the delicacy of the matter by the unanimity and violence of the reactions in England to the resolution in the House of Representatives regarding the recognition of Spain.⁵ He said he was greatly surprised to find that all parties were unanimous in condemnation of such procedure involving the recognition of Franco. His hope was that we could play down any action on the Spanish question in the UN at this time. It was low on the agenda and we should conspire to get it in the last position. He stated that if it did come up, that is the Polish resolution, he could vote against it (Dr. Schuman stated he could vote against it). Mr. Bevin proposed that we individually endeavor to persuade influential Latin American leaders to drop this issue.

Dr. Schuman more or less repeated Bevin's approach to the problem and stated that a recognition of the Franco Government would not only involve a public reaction but would involve serious complications in the coalition government. He thought that the border affairs were being adjusted so that matters were now proceeding in a normal manner, and that economic relations were gradually reaching normal. He was in accord with Mr. Bevin's proposal.

It was agreed that we should follow the course outlined by Mr. Bevin.

⁵ See telegram 207 to Madrid, April 6, and footnotes, p. 1036.

852.00/10-848 : Telegram

The Ambassador in France (Caffery) to the Secretary of State

CONFIDENTIAL

PARIS, October 8, 1948—4 p. m.

5270. My 5076, September 28. Trifon Gomez, Spanish labor leader in exile, called at Embassy this morning and explained that following communication which he left with us and which is signed by Indalecio Prieto, Antonio Perez, Trifon Gomez and Luis Jimenez de Asua in name of Socialist Party is text of an accord negotiated by Prieto with Gil Robles and signed in addition to latter by Saiz Rodriguez, Felix Bejarano and Conde del Andes representing Monarchists. He requested that names of Monarchists, aside from that of Gil Robles, be kept confidential. Text follows:

"The political forces signatories of this statement, wishing to avoid the ruin of their country and the sufferings which would be caused by whatever violent solutions of its political problem, solemnly engage themselves to abide by the following principles and to implant them, or

to help to implant them in a resolute way during a transitional period allowing Spain to establish normal institutions that will be the genuine expression of her will:

(1) To decree a wide amnesty for political offenses.

(2) To establish from the very beginning a legal statute which will regulate the use of the rights of man and set up a system of judicial appeals against the transgressions of public power.

(3) Inflexibly to maintain public order and to prevent all sorts of vengeance or reprisals for religious, social or political motives.

(4) To readjust, with the cooperation of all the elements interested in production, the shattered national economy.

(5) To exclude from the political leadership of the country every totalitarian group or influence, whatever their nuances may be.

(6) Immediately to incorporate Spain to the group of the western nations of the European continent associated for the ERP started with the economic aid of the United States of America, and to incorporate her as well to the pact of the five—Great Britain, France, Belgium, Holland and Luxembourg—as the initial nucleus for the federation of western Europe, first, and of the whole Europe later on, always within the Charter of the United Nations promulgated in San Francisco.

(7) To guarantee the free practice of worship and the consideration due to Catholic religion, without detriment for the respect also due to other beliefs, in agreement with freedom of thought.

(8) Once the civil liberties have been restored, and that will take place with the greatest speed permitted by circumstances, to consult the nation to the effect of establishing a definitive political regime, either in a direct form or through representatives, but in any case by secret vote, to which all Spaniards of either sex with full political capacity will be entitled. The Government presiding this consultation, by its composition and the significance of its members must be an efficient guarantee impartiality.

The political forces signatories of the foregoing statement proceed to organize in a permanent form a liaison committee which will be in charge of everything concerning the fulfillment of the eight points embodied in the statement."

Repeated Madrid 97, London 1032.

CAFFERY

852.00/10-648

*The Acting Secretary of State to Representative Jacob K. Javits*¹

PERSONAL

WASHINGTON, October 11, 1948.

DEAR MR. JAVITS: I have received your telegram of October 6,² protesting a statement which a prominent New York newspaper incorrectly reported Secretary Marshall as having made. I can assure you

¹ Member of the Foreign Affairs Committee of the House of Representatives.

² Not printed; it protested a statement attributed to the Secretary of State that the United States would support the rescinding of the General Assembly resolution recommending cessation of diplomatic relations with Spain (852.00/10-648).

that there has been no reversal of this Government's policy toward Spain.

This Government continues to believe that the best interests of Spain require evolution toward democratic government and that Spain's relations with this country and the other democracies cannot become fully normal, as we would like to see them, in the absence of such evolution. We have never slackened our efforts to convince the Spaniards of the soundness of this point of view. We do not believe and never have believed that the Resolution adopted by the United Nations General Assembly in 1946 would be effective in bringing about the desired changes in Spain. Experience has confirmed our doubts as to both its wisdom and its efficacy.

This Government has no intention of initiating any action on Spain in the present session of the Assembly. Since we do not yet know what proposals may be made by other governments, I cannot say what our exact position will be, but it will be based on our long-standing views as indicated above.

Sincerely yours,

ROBERT A. LOVETT

501.BC Spain/10-1548 : Telegram

The Secretary of State at Paris to the Acting Secretary of State

SECRET PRIORITY

PARIS, October 15, 1948—4 p. m.

Delga 338. US GADel working group must shortly submit to delegation precise outline position paper on Spain. Working group has taken into account views expressed in Department and by Department officers to foreign representatives. Of particular relevance is Secretary's memo of conversation with Bevin and Schuman on this subject dated October 4.

Before submitting paper to delegation, working group will appreciate Department's comments. Draft position paper follows:

"1. The US would have preferred that the Spanish question not be on the agenda of the present session of the G.A. It favors, therefore, the placing of the Spanish question at the end of the Committee One agenda and would support deferring action on the matter if a shortage of time indicates certain subjects must be deferred by this session of the Assembly. In pursuit of this objective, the USDel should express informally to other delegations the view that we hope consideration of the Spanish question can be avoided at this session.

2. If the Spanish question is actively considered at this session of the Assembly: (1) The US should take no initiative on the subject; (2) in dealing with the Spanish question the USDel should be strongly influenced by the effect of its action on the democracies of Western Europe. Although it may not be necessary for the US to vote in accordance with Western European democracies, it should at least ascertain

from top level political discussions whether a particular US vote would have serious and unfavorable repercussions within western and northern European democracies and the British Commonwealth, whether on the domestic situation, the relation between those countries and the US, or the attitude of their public opinion toward the US.

3. Subject to paragraph two, above, the USDel would be willing to vote favorably for resolutions proposed by other delegations which would (a) permit specialized agencies to admit Spain to membership if the effectiveness of the specialized agencies would be enhanced thereby from the technical point of view, (b) permit the UN members to exchange chiefs of diplomatic missions with Spain. As between these two modifications of the 1946 resolution, the US would prefer modification regarding the specialized agencies to that regarding chiefs of mission.

4. The USDel should not vote for (a) a resolution more strongly anti-Franco than the 1946 resolution, (b) a reaffirmation of the 1946 resolution, (c) a total rescission of the 1946 resolution.

5. Prior to actual consideration of the Spanish question in the GA and the tabling of motions by other delegations, the USDel should limit its discussions with other delegations to the point contained in paragraph one, above."

MARSHALL

852.51/10-2048

*Memorandum of Conversation, by Mr. William B. Dunham of the
Division of Western European Affairs*

SECRET

[WASHINGTON,] October 20, 1948.

Participants: Mr. Barth, Vice President, Chase National Bank
Mr. Schermerhorn, Washington Representative, Chase
National Bank
Mr. Achilles, Chief, WE
Mr. Dunham, WE

Mr. Barth, who has just returned from a two months trip to Spain, called to inquire whether the Department had any objection to a loan the Chase National Bank proposes to negotiate with the Spanish Foreign Exchange Institute for a two year revolving credit of from \$10 million to \$15 million. He said that the loan would be used primarily to finance the export of American cotton to Spain and the construction of an ammonium nitrate plant. The loan will be made against 105% gold collateral, the gold to be held in London.

He was told that we had no objection to any private financial transactions of this type. Mr. Barth said that he would draw up the loan agreement, the principles of which the Spanish officials concerned had already agreed to, and he expected it would be signed shortly in

Madrid. He said that he would send us a copy of it and asked that in the meantime this information be kept strictly confidential.

501.BC Spain/10-1648 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, October 21, 1948—7 p. m.

Gadel 270. Prior opening Assembly we had instructed our missions Western Europe, British Dominions and other American Republics to seek views Govts there and advise FonMins that while we had no intention taking initiative on Spain we were prepared vote in favor of the two specific changes in 1946 Resolution (Paris Emb has Dept's circular Sept 10,¹ 1 am; similar circular sent missions in Am Republics July 28.) Replies received indicate various Am Govts anxious propose these changes[;] most favored them and distinct possibility one or both changes would receive two-thirds majority even if British and French opposed. (Gadel 60 Sept 25).¹ There will undoubtedly be increased pressure within next few months both here and elsewhere send ambassadors Madrid and more countries will unquestionably disregard 1946 Resolution if it is not modified.

Spanish question of course unimportant compared to Berlin issue and we fully recognize all other questions should be subordinated to that during present session. We nevertheless doubt whether all Latin Americans can be persuaded not raise Spanish question. We believe British and French preoccupations as expressed by Bevin and Schuman (Delga 358 Oct 16)¹ would be substantially met if 1946 Resolution were modified without their concurring votes.

View advice previously given other Govts concerning our position we suggest following changes in draft given Delga 338:

Replace para 2 by following language:

"2. If nevertheless Spanish question is actively considered at this session ² efforts should be made to play down discussions to prevent Soviet bloc from utilizing it to embarrass US or Western European countries in connection with more important issues such as Berlin. US Del should take no initiative on Spain."

Para 3. Change "chiefs of diplomatic missions" to "ambassadors and ministers plenipotentiary."

Change end of para 5 to read: "points contained in paras one and

¹ Not printed.

² The Spanish question was not considered at the Paris meetings of the third session of the General Assembly, but was postponed until May 4, 1949, when the First Committee began discussion of this item.

two above." Will be much interested Gadel 427 Oct 20³ in developments LA caucus.

LOVETT

³ Not printed.

852.00/11-1048

The Ambassador in Portugal (MacVeagh) to the Secretary of State

SECRET

LISBON, November 10, 1948.

No. 414

SIR: With reference to my despatch no. 352 of September 21, 1948, and my airgram no. A-319 of September 14, 1948,¹ I have the honor to enclose a memorandum of conversation dated November 2 between Don Juan, Pretender to the throne of Spain, and Mr. Theodore Xanthaky, Attaché of this Embassy and Special Assistant to the Ambassador.

The Department will note that the Pretender spoke to Mr. Xanthaky with apparent frankness concerning his meeting with General Franco at San Sebastian last summer and also concerning recent rumors of an agreement between the Spanish Royalist and Socialist parties. The gist of his remarks would seem to be that he feels his meeting with Franco has been of real use to him, particularly in dispelling certain misconceptions on the part of the Caudillo, and that any understanding between adverse Spanish political groups should be in the public interest.

Respectfully yours,

LINCOLN MACVEAGH

[Enclosure]

Memorandum of Conversation, by Mr. Theodore Xanthaky, Special Assistant to the Ambassador in Portugal

SECRET

[LISBON,] November 2, 1948.

On Saturday, October 30, I met Don Juan, the Spanish Pretender, casually at the Golf Club in Estoril. At that time he told me he had sent for his son, the Prince of Asturias, who was in Switzerland, and that after a few days in Estoril with his family the young man will proceed to Madrid to begin his studies there. (Embassy's airgram No. 365 of November 1, 1948).² I expressed interest and Don Juan

¹ Despatch 352, p. 1050, gave another account of the meeting between Don Juan and General Franco. Airgram A-319 is not printed.

² Not printed.

said he would get in touch with me sometime during the ensuing week to tell me the real story of his interview with Franco, the Spanish Chief of State. Last night Viscount Rocamora, the Pretender's Aide, telephoned making an appointment for me with Don Juan at his home in Estoril today. Don Juan greeted me by saying that his son had arrived from Switzerland the night before and was leaving for Madrid about November 10. He then pitched into the following story of his encounter with Franco.

For some time past, the advisability of a meeting with the Caudillo had been suggested to him, but nothing ever came of it. Early last summer Julio Danvila, a staunch monarchist and a Director of the Bank of Spain, (representing the private shareholders), visited Don Juan in Estoril and told him he had occasion to see Franco quite often and volunteered to arrange a meeting. Don Juan agreed but thought it would go the way of previous similar efforts. Very much to his surprise while in England last July, where he had gone with his friend, Galindez, on the latter's yacht *Salttillo* for the Olympic Games, he received a telegram from Danvila informing that the encounter had been arranged.

At the appointed time and place,³ Franco came on board the *Salttillo*. They talked alone for over three hours. Franco immediately launched into the Pretender's past mistakes. Don Juan countered by saying that he, Franco, had also made plenty of those and the past was the past and they had better talk about the present and the future. Franco took this goodnaturedly and said that perhaps he was right. Franco then assured the Pretender that he had always been and continued to be his candidate for the throne (Don Juan remarked to me that he had not forgotten that Franco last year was considering other names). Franco then brought up the subject of the education of the young Prince of Asturias in Spain. Don Juan replied that he was agreeable to this but that he would have to receive certain commitments before he would consent, such as (1) political amnesty for monarchists at present under arrest; (2) guarantee that monarchists would not be persecuted by the authorities; and (3) freedom of monarchical press activity in the newspaper "ABC". Franco said that he would give consideration to these points and believed there would be no difficulty in this respect. (Don Juan remarked to me that Franco is now in the process of meeting all three *desiderata*.) Don Juan then emphasized to Franco that he wished to make it perfectly clear that by sending his son to Spain he did not renounce any of his rights to the throne. Franco was in entire accord and said that he would allow a statement to this effect to be published in Spain. Don Juan wanted the Caudillo

³ The interview took place on August 25 off the coast of San Sebastian.

to make the statement but the latter hedged and said he thought it would be better if it came from Don Juan. During the conversation, Franco gave Don Juan his impressions on what the monarchy should be like. Don Juan thought these decidedly archaic. For example, Franco talked of Philip II and very much in the vein of an absolute monarchy. The Pretender reminded Franco that he continued firmly to hold ideas on this subject which he had already publicly espoused, i.e. a constitutional monarchy along democratic lines. By that, he said, he did not mean that the political system of another nation should be taken and bodily implanted in Spain; Spanish traditions and temperament would have to be taken into consideration. Don Juan said that never once during the conversation did Franco mention that he intended to turn over the government to him at a given date. As a matter of fact, he said, Franco repeatedly talked in terms of 20-year periods, which he thought significant inasmuch as Franco is 57. As an illustration, Franco mentioned that he expected his economic planning would bear fruit within 20 years, etc. Therefore, Don Juan got no impression that Franco is contemplating relinquishing power voluntarily in the foreseeable future. He stated, however, that in his opinion this initial contact has been useful to him. Among other things he believes he has dispelled from Franco's mind certain misconceptions which he had reason to believe Franco entertained concerning him. Commenting on the Caudillo's political position, he said that Franco could not be overthrown by external pressure and that his internal hold on Spain was very solid. Only a period so distressing economically as to drive the country to desperation could unseat him. Although the economic condition of Spain is far from good, it has not reached the breaking point and Franco could always resort to palliatives at least temporarily to avert such a situation. He said that several times during the conversation, Franco spoke of his friendship for Don Juan's father, Alfonso XIII, with tears in his eyes. Franco was extremely voluble and it had been very difficult for Don Juan to get in his counter arguments. However, he had been rehearsing in his mind for many years exactly what he would say to Franco when they met and he believed that he had gotten over his points. The Pretender said that although there had probably been a predisposition of dislike on both sides, the interview had found both mutually "simpatico". During the conversation Franco always addressed Don Juan as "Alteza" (Highness). Franco complained about the treatment he was getting in the international sphere, to which Don Juan retorted "what could you expect from the victory of the democracies after your attitude toward the Fascist states?" Franco then said he did not believe there would be a war for another two or three years. Don Juan told me that he contradicted and chal-

lenged Franco's statements repeatedly and it has come back to him from Artajo, the Minister for Foreign Affairs, via a mutual friend, that Franco not only did not resent this but apparently was impressed. Don Juan found Franco very hazy on economic subjects and that, though by no means a fool, he was an *hombre primario*.

The Pretender said he has no illusions about Franco. He remarked, however, that up to the time of his interview he was making no progress and he now feels that at least he has "gotten his foot in the door". Don Juan mentioned to me that Alfonso XIII had been best man at Franco's wedding and therefore a few days ago on the occasion of the Caudillo's silver wedding anniversary, he sent him a message of felicitations. Don Juan showed me Franco's handwritten reply which he had just received. It was addressed "Mi Principe" and terminated "con lealtad y afecto" (with loyalty and affection), and stated what a great honor it had been for him and his wife to have received his message and that he owed his happiness to Don Juan's father, Alfonso XIII.

Don Juan then spoke of the recent publicity in connection with a so-called agreement between the monarchists and the socialists. He said that as the monarch he considered it his duty to be above political factions. He believed, however, that any understanding between adverse political groups tending to harmonize differences of opinion would be useful and in the public interest. He said that last year Gil Robles and Saenz Rodriguez⁴ drafted some of the clauses of a document in this sense which was being discussed between the monarchists and the socialists. He said it was more in the nature of a set of political principles rather than an operating agreement between parties and that as he understood it, no signatures were required. In any event he said it was an old story, as Robles had told the British all about it last year. Now the Socialist Leader, Indalecio Prieto, perhaps aided and abetted by an irresponsible monarchist named Ansaldo, who has a house at St. Jean de Luz, had chosen unilaterally to give unwelcome publicity to what was intended to be a confidential matter.

Don Juan also mentioned that when he visited London last November for the royal wedding, King George arranged an interview for him with Bevin at Buckingham Palace. On that occasion he told Bevin that their pin-pricking policy against Franco was *contra producente* and getting him, Don Juan, nowhere. Bevin replied, "Well, we withdrew our Ambassadors from Madrid for you" to which Don Juan replied, "Yes, and that was a great mistake." Don Juan also told Bevin that if he thought they were going to restore the monarchy in order to make the socialist Indalecio Prieto Prime Minister, they were very much mistaken; Prieto would probably be shot if he as much as showed

⁴ Saenz Rodriguez, a leading Spanish Monarchist in exile.

up in Madrid. Bevin laughed and said, "Well, my boy, carry on as best you can. You know that we are for you" and at the same time strongly implied that the British would do nothing practical towards his regaining his throne. Don Juan remarked to me, "I believe, therefore, that the British cannot be too upset by my meeting with Franco." Don Juan then terminated our interview and promised to keep me currently informed as to developments.

711.52/11-1748

The Chargé in Spain (Culbertson) to the Secretary of State

SECRET

MADRID, November 17, 1948.

No. 661

SIR: I have the honor to report that last evening I had one of my occasional longish, all-subject talks at the Foreign Office with José Sebastián de Erice, Director General of Foreign Policy, in which he asked, as he had done before, for suggestions in the field of economic liberalization in Spain. Spain, he said, wants and needs help but she wants it on a basis of a bilateral arrangement with the United States and not under Marshall Plan aid. If Spain could receive such aid as to give solidity to her economic structure, liberalizing action could and would be taken and Spain would be prepared to meet such reasonable conditions as we might be prepared to suggest. Furthermore, and I have never encouraged or left the door open to suggestions of a military character, Erice said that, could some understanding be reached between the two countries, we could, if we so desired, have bases in the Canary and Balearic Islands and facilities on the Spanish mainland. I did not follow up this last suggestion.

Respectfully yours,

PAUL T. CULBERTSON

S52.00/11-2348 : Telegram

The Chargé in Spain (Culbertson) to the Secretary of State

RESTRICTED

MADRID, November 23, 1948—1 p. m.

751. Embdesp 656, November 17.¹ Press today announced preliminary results November 21 election municipal councillors representing family heads. Falangist panel eight candidates Madrid elected by strong majority. Falange claims over 80 percent councillors elected throughout Spain represent that organization. Reports indicate no disturbances any importance. Voting many districts comparatively

¹ Not printed.

light but preliminary estimate countrywide average of electorate participating 70 percent. General public reaction election results appears apathetic. Press emphasizing complete order and normality of proceedings and good voter turnout as well as victory Falange candidates who represented only organized political force participating. Second stage elections for syndical councillors set for November 28. Despatch follows.²

CULBERTSON

² Not printed.

SWEDEN

AGREEMENT BETWEEN THE UNITED STATES AND SWEDEN RESPECTING QUANTITATIVE IMPORT RESTRICTIONS AND DEFERMENT OF PAYMENTS, MODIFYING THE AGREEMENT OF JUNE 24, 1947

[For text of Agreement, effected by exchange of memorandums dated at Washington February 11, 1948, and for related exchange of letters, see Department of State, Treaties and Other International Acts Series No. 1712, or 62 Stat. (pt. 2) 1840.]

AGREEMENT BETWEEN THE UNITED STATES AND SWEDEN RESPECTING ECONOMIC COOPERATION UNDER PUBLIC LAW 472-80TH CONGRESS

[For text of Agreement, signed at Stockholm July 3, 1948, see Department of State, Treaties and Other International Acts Series No. 1793, or 62 Stat. (pt. 2) 2541.]

AGREEMENT BETWEEN THE UNITED STATES AND SWEDEN RESPECTING QUANTITATIVE IMPORT RESTRICTIONS AND DEFERMENT OF PAYMENTS, EXTENDING THE AGREEMENT OF JUNE 24, 1947, AS MODIFIED, AFTER JUNE 30, 1948

[For text of Agreement, effected by exchange of memorandums dated at Washington June 12, 1948, see Department of State, Treaties and Other International Acts Series No. 1800, or 62 Stat. (pt. 3) 2647.]

AGREEMENT BETWEEN THE UNITED STATES AND SWEDEN RESPECTING THE APPLICATION OF MOST-FAVORED-NATION TREATMENT TO AREAS UNDER OCCUPATION OR CONTROL

[For text of Agreement, effected by exchange of notes signed at Stockholm July 3, 1948, see Department of State, Treaties and Other International Acts Series No. 1833, or 62 Stat. (pt. 3) 2930.]

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN
IRELAND

POLITICAL, ECONOMIC, AND MILITARY RELATIONS OF THE UNITED
STATES WITH THE UNITED KINGDOM

641.6131/12-2947 : Telegram

The Secretary of State to the Embassy in the United Kingdom

CONFIDENTIAL

WASHINGTON, January 14, 1948—4 p. m.

127. Embtel 6640, Dec 29.¹ Department has decided to issue no formal statement re Anglo-Soviet agreement but since question likely to be asked in ERP hearings it is proposed Ambassador Douglas reply along following lines: The trade arrangement brings to UK substantial supplies of commodities greatly needed by British economy, not available west hemisphere even though financial resources might be provided. Therefore, represents net gain by UK and by CEEC area. Also opens way to acquisition by UK of additional commodities such as timber from USSR, not elsewhere available and urgently needed. Commodities which UK is scheduled to make available in return will doubtless contribute to Soviet productivity and may have indirect effect upon Soviet ability to make goods available for export to west Europe. This particularly pertinent re timber cutting machinery. If agreements of this kind between east and west Europe are on good terms of trade, objectives of European recovery are well served. (end proposed reply)²

Department considers it inadvisable to make any comment on Anglo-Soviet arrangement for war supplies payments. It is felt British were obliged to take an unfavorable settlement in this field, and position of US regarding settlement of lend-lease accounts with USSR should not be overlooked.³

MARSHALL

¹ Not printed; the reference here is to the Agreement between the Soviet Union and the United Kingdom on the Question of Trade and Finance, signed December 27, 1947 in Moscow. For the text of this Agreement, see United Nations Treaty Series, vol. 91, pp. 113-135.

² The substance of this message was communicated to R. M. A. Hankey of the Foreign Office, who had made the original request for a statement.

³ For documentation on the status of the lend-lease accounts with the Soviet Union, see vol. iv, pp. 950 ff.

S40.50 Recovery/1-2348 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET US URGENT

LONDON, January 28, 1948—7 p. m.

340. Deptel 244, January 24, 2 p. m.¹ Hypothetical postponement ERP discussed with Clarke² Treas. chairman Brit Gov't Committee on ERP who referred problem immediately Cripps³ and today handed us secret memo considered Brit position. Text by airmail.⁴ Discussion with Clarke confirmed by tone of memo indicates Brit feel their position increasingly serious and urgent need ERP aid equals need France, Italy.

Memo bases argument on reserve position emphasizing reserves support whole sterling area and importance strong reserves magnified by franc devaluation especially if other countries follow French example. Calculation presented which Emb agrees estimates balance reserves June 30 £450 million substantially below £500 million always regarded as minimum. Calculation includes South African loan planned to last three years. Does not include possible drawings IMF £20 million and possibility minor drawings by Dominions. Clarke indicated no possibility refunding RFC loan due unavailability funds Export-Import Bank. No other credit possibilities exist.

Memo estimates drain on reserves first half 1948 £225 million and in second half rather less than £100 million quarterly. Possibility that drain second half not fully covered by ERP aid very relevant to level of reserves required June 30.

"If ERP assistance were available from April 1, even though no payments could be made until July and if it were recognized that we could use some or all of amounts accruing April-June to rebuild our reserves we should then be in position to expend our reserves during those three months with assurance that they could be restored when funds available. If this not possible or if scale and form ERP assistance likely to be inadequate to cover drain on our reserves we shall be driven take further steps to protect our reserve position. The uncertainties of the situation create great difficulties for all contractual arrangements."

In absence alternative credit possibilities memo suggests possible protective measures:

1) Reduction fat rations and maintenance other rations at low level otherwise increased. Meat ration depends on Argentine negotiations

¹ Not printed; it was the copy⁴ received in London of a circular telegram to various American missions requesting an appraisal of the possible economic and political consequences of a delay until July 1, 1948, of assistance under the European Recovery Program (S40.50 Recovery/1-2448).

² Richard W. B. Clarke, Under-Secretary of the British Treasury.

³ Sir Stafford Cripps, Chancellor of the Exchequer.

⁴ Not printed.

subject breakdown if dollars not available and no allowance made for dollars to Argentina in reserve calculation;

2) Diversion coal to Argentina at expense Europe;

3) Reduction petroleum from Brit sources to soft currency countries (France) in order reduce purchases from US.

Memo emphasizes quantitative savings reduction dollar food imports no longer large and main burden any further cutting bound fall on raw materials which would inevitably reduce production. Imports now at minimum insufficient allow for acquisition pipeline stocks facilitating smooth production. Raw materials from dollar sources enter into wide variety essential uses. Any interference with supplies would have cumulative extremely serious results. If unemployment developed as result shortages bound to be industrial unrest and impact on morale and production effort serious.

Import program from Canada particularly difficult arrangements expire Mar. 31 in anticipation ERP. UK cannot pay additional dollars Canada unless subsequently replaced in reserves. Program involves wheat, livestock products, essential raw materials, especially non-ferrous metals and disruption supplies would have drastic effects on both food and raw material position which particularly serious in view UK potato shortage. Delay in ERP will present both UK and Canada with extreme difficulties in making arrangements after Mar. 31. Disruption supplies from Canada would reduce living standards well below those regarded as minimum upon which effective production can be maintained. Clarke mentioned that US action to supply dollars to Canada would be most helpful.

Discussion with Clarke indicated UK concern over US program off-shore purchases particularly Canada and Argentina in connection food supplies which as general rule are determined by major bargains rather than general trade relationships. UK not now buying food in US.

Discussion also indicated serious shortages non-ferrous metals, steel and timber and Clarke emphasized importance to production of long list smaller items obtainable only from US against dollars. Many of these key materials absence of which would hamper production seriously.

General picture is, 1) Brit uncertainty re timing ERP which affects decision risk reserves; 2) planning of quantities values seriously compromised by uncertainties re size ERP; 3) uncertainty re off-shore purchases.

Emb unable develop opinion on extent and timing of assistance needed avoid consequences postponement ERP and no piecemeal approach seems possible. Main problem is early elimination of uncertain-

ties indicated above and particularly assurance that if Brit risk their reserves they can be replenished promptly and fully.

Emb assumes question political stability not directed UK.

GALLMAN

S41.00/1-3048 : Telegram

The Chargé in the United Kingdom (Gallman) to the Secretary of State

SECRET

LONDON, January 30, 1948—6 p. m.

370. This is a further message in our series of evaluations of trends in British foreign relations and of developments in the domestic field. Period under review dates from November 15, 1947, the date of our last previous message in series. (Embtel 6060, November 15, 1947 ¹)

During period under review, it became evident that early and adequate ERP aid is outstanding British need for 1948. Breakdown of CFM ² was followed by strong condemnation of Soviet Union by government, accompanied by similar action on trade union levels, placing Bevin ³ in stronger position than ever. His support now even includes almost all MP's of non-Communist left. Period under review further marked by strong comeback of government from low of autumn 1947 with Attlee ⁴ in enhanced position; Britain's drawing closer to Western Europe as evidenced by Bevin's advocacy of western union; ⁵ wide acceptance of a viable Germany as essential to UK, and Western Europe; further deterioration in Anglo-Soviet relations; and great exertion by British officials to strengthen British position in Middle East for what is regarded as inevitable explosion being set off in Palestine in spring. ⁶

I. GENERAL ECONOMIC SITUATION

Encouraging trend coal, steel output induced moderate year-end optimism and perhaps justified Morrison's ⁷ statement Britain has turned the corner but Cripps analysis steel position established steel as No. 1 shortage 1948. Reduction capital investment program now appears primarily an attempt to limit steel use.

With supplies 1 million tons short of requirements for full productivity and capital development the system of steel allocations will

¹ Not printed.

² For documentation on meetings of the Council of Foreign Ministers, see *Foreign Relations*, 1947, vol. II, pp. 1 ff.

³ Ernest Bevin, British Secretary of State for Foreign Affairs.

⁴ Clement R. Attlee, British Prime Minister.

⁵ For documentation on Western Union, see pp. 1 ff.

⁶ For documentation on the Palestine situation, see volume v.

⁷ Herbert Stanley Morrison, Lord President of the Council and Leader of the House of Commons.

be major device to control nature and direction productive effort as evidenced by recent exemption steel for building from latest price rise and by maintenance steel allocations at 1947 level or better to encourage output of electric power equipment, agricultural implements, tractors and mining machinery, while allocations for machine tools have been cut in attempt to force exports.

Year-end reports indicate surprisingly modest general improvement business profits 1947 over 1946. Best gains registered in shipping, ship-building and motors due heavier volume, but steel only 7 percent better and banks no gain despite larger volume business, while railways failed to earn 3 percent interest. Heavy losses recorded in aviation companies and coal operating at loss despite price increases. 1947 gross national product improved only about 10 percent over 1946 mostly accounted for by price increases. In general rising costs appear to have limited business profits despite greater volume of output. General picture is of an industrial economy just about holding its own during 1947, probably due to setback of fuel crisis in early months, and nothing like the US boom apparent in UK.

It is too soon to say how effective measures to deal with dollar crisis will be but it is clear export targets not being realized and continued lag probable. Imports November were down to target level at rate of pounds 1,600 annually but high December figures suggest difficulty in keeping import values down partly due rising prices essential imports.

Recent census 1,000 manufacturers experiencing export difficulties revealed 58 percent encountering trade restrictions of which half Europe and nearly quarter Empire countries. Other trade obstacles are price competition 23 percent and high tariffs 19 percent.

Effects of European trade restrictions apparent in recent export statistics. Consequence has been heavy pressure on government to open trade channels through bilateral negotiations and UK has concluded 7 agreements with 9 now under discussion.

Bilateralism seems only immediate approach to developing UK trade but not regarded as desirable in long run and is putting great strain on UK negotiators which will increase as more exportable essentials are tied up but will be eased if exportable coal exceeds estimates. British find that in bilateral deals each country exerts pressure to export maximum less essential goods and to import maximum essential items. This may tend to reduce total trade between the two although UK in most of its recent agreements believes it has provided for expansion rather than limitation, particularly in agreements with Sweden and USSR.

Possibilities for further limitation imports dubious because no further important savings on food can be made especially with potato

ration threatened by shortage, and evidence accumulating that general ration level inadequate for full effectiveness heavy workers. Raw material supplies are currently at practicable minimum to maintain current rate of production, and if imports essential materials are reduced UK will be entering a spiral of reduced productivity and shrinking capacity to pay for imports. Gold and dollar reserves being steadily drained at rate which will reduce them below minimum safe level by mid-1948. UK basic dilemma lies between cutting raw materials with indicated serious consequences or permitting reserves to fall dangerously low. These projections make it clear that early and adequate ERP aid is the outstanding British necessity of 1948 and is essential to solving British dilemma since assurance such aid might justify UK in maintaining raw material imports and gambling with reserves if certain dollar drain soon to be checked.

II. INTERNAL FINANCE

Weight of potential inflation appears less than year ago but suppressed inflation still major economic problem. Pace of inflation partly checked 1947 by drawings US and Canadian loans. Through such drawings good[s] made available to UK economy without corresponding money payments to public ordinarily involved in domestic production (chiefly wages). UK Treasury sold borrowed dollars to importers for sterling and used latter to meet extraordinary expenditure thereby reducing necessity creation internal debt. Government actually able retire roughly pounds 210 million floating debt 1947.

Deflationary effect foreign credits will not be nearly as great in 1948 unless ERP aid is forthcoming. Latter would probably have some deflationary effect on economy as UK loan drawings (depending on policy adopted for local proceeds). In absence ERP increased restriction imports seems inevitable together with every possible expansion of exports. Such development would severely increase inflationary pressure since quantity of goods available locally would be reduced in face same or possibly greater money payments.

Sign of improvement inflationary situation in monetary supply did not rise compared with 1946. This coupled with abandonment government's cheap money policy represents far healthier situation than 1946 when government creating bank deposits in attempt establish low rate on long-term borrowing. Other favorable factors included cuts in capital expenditure. Small savings are improving and life insurance and building society figures are running at record levels. Government budgetary surplus on ordinary account running at higher rate than estimated November budget.

Most pressing problem facing Britain coming months is how to prevent further cost inflation. With regard to wages, TUC has declined

accept national wages policy leaving to individual unions onus of not pressing for wage increases unless output is increased. If all or substantial proportion of increased output is exported and wages raised, this will surely add to inflationary pressure at home. It is possible national wages policy might be adopted by TUC if government offered capital levy on which widespread discussion continues.

III. INTERNATIONAL FINANCIAL POSITION

(Data in million pounds sterling)

British now expect hard currency drain to be 225 in first half 1948 and less than 100 in each last two quarters, or total about 425. This would be only half drain 1947. It would also represent substantially reduction rate weekly drain experienced last 5 weeks 1947 at about 10. Substantial and consistent progress has been made in reducing rate weekly drain since August run on sterling. Target figures on drain believed possible of achievement but only by further reduction imports and expanded exports in trade with hard currency areas both by UK and rest of sterling area.

Should be noted, however, that Cripps predicated UK would balance current payments 1948 compared with deficit 650 in 1947. This seems somewhat over-optimistic. Despite overall balance, hard currency deficit 300 anticipated UK account. This measures UK program for unrequited exports in 1948 and extent obligation supply traditional markets principally in sterling area and inability shift exports to hard currency markets. Remainder anticipated drain on reserves, 125, measures extent UK anticipation demands rest sterling area for assistance meeting hard currency deficits with rest world.

Estimate that if drain reserves anticipated by UK should be realized 1948, and it will take considerable effort restrict reserve losses that rate, reserves would stand approximately 300 at year-end. This would include some portion undrawn Canadian credit which might not be available in fact.

Clearly no such reduction in reserves can be permitted. UK absence ERP will have to take most drastic measures to reduce drain. This would have to include greatly increased pressure on sterling area countries to balance their hard currency accounts and reduce their demands on common pool reserves. Present UK plans are apparently to proceed along lines indicated in belief ERP will afford relief from severe measures otherwise required.

British opposition franc devaluation program very determined. Chief basis was expectation rate between official sterling and free dollar rates would be substantially below 4.03 creating doubt on soundness 4.03 rate and suggesting that sterling overvalued.

British also fearful pressure on pound would develop through trans-

actions centered French banks. Nature such transactions quite nebulous present thinking. Present feeling financial community here that initial fears this phase problem exaggerated. France on strictly bilateral basis in payments arrangements with UK. Payments receipts sterling involving countries other than French monetary area and sterling area require prior approval Bank England. Such control effective in past and no reason suppose it will not continue so. Technical difficulties will no doubt increase but Cripps left team experts Paris study problems and prepare defenses.

British concerned difficulties French program will create for them but determined work out on basis friendly cooperation best possible arrangements under circumstances.

IV. FOREIGN POLICY

1. Breakdown of CFM conference December marked watershed in British foreign policy, new lines of which were laid down by Bevin and Attlee in foreign policy debate January 22-23. The condemnation Soviet Union by government and proposal western union have been accompanied by similar actions on political and trade union levels as well. British Labour Party has taken initiative in calling conference of Socialist parties of M Plan countries; Trades Union Congress quietly preparing break in World Federation Trade Unions and formation rival international trade union center; and Labour Party and trade unions have opened offensive against British Communist Party and on communism generally.

2. Labour Government's policy caution, restrained criticism Soviet Union and communism, of playing down details Soviet policy and practices, which have characterized British policy since end of war in hope reversal Soviet policy, is now ended. British public and particularly British labor movement from now on will be told in moderate but straightforward language full significance developing events in order dissipate any lingering illusions about Soviet intentions and to prepare them for any eventualities.

3. The way in which virtually whole British labor movement has, step by step, abandoned its sentimental attitude toward Soviet Union and ranged itself behind Bevin, demonstrates again (*a*) political maturity of British labor movement, (*b*) essential non-doctrinaire and non-Marxian character British labor movement, which has always distinguished it from the more Marxian-minded continental labor movements, and (*c*) the unshakable attachment British labor to democratic, humanist and liberal conceptions.

4. This remarkable change is in its way almost as significant as the change in US from isolationism to internationalism. For British labor movement has had strong attachment to Soviet Union, every since

Bevin stopped British intervention in early 1920's by direct action and Soviet Union made large contributions to British general strike 1926.

5. Debate in Parliament January 22-23 should disabuse any doubts which might still remain in world opinion about degree of support which Bevin commands in Britain. Most of the MP's on non-Communist left are now solidly behind Bevin, and for first time in 18 months they made no demand to cut armed forces, or withdraw troops from Greece. Some non-Communist left MP still reluctant face some of the implications new foreign policy line: for example, they find it extremely distasteful support policy in Greece in view of character Greek Government; they will find it difficult to swallow De Gaulle if he should come to power; they are afraid that it will mean making up with France, etc. But Soviet intransigence is driving one leftist after another into private and even public admissions that Soviets have slammed door on repeated overtures of friendship, and that Labour Government has no alternative except defend itself and its principles.

6. Recent handling of American policy has been equally important in this consolidation of British opinion, particularly left-wing opinion behind Bevin. References by Ambassador Douglas last autumn, when appearing in Washington before Congressional committee,⁸ to state of British mining industry under private ownership and hopeful signs for the future, the release of \$400 million despite suspension of sterling convertibility, the reference in Harriman report to importance of trade between eastern and western Europe,⁹ the Department's recognition that socialism stands for same human and democratic principles for which US stands, and administration's recommendations to Congress on ERP, particularly the one to avoid laying down conditions, have not only not gone unnoticed here, but have largely dissipated suspicion held by large number this country that American "capitalism" was hostile to Labour Government. Coming at a time when Soviet Union was attacking Labour Government, these American actions have made it clear where the danger to labor Britain really lies. Change in attitude of large sections of labor movement during past three months from one of suspicion of US to one of open friendliness is perhaps the most important recent development in British public opinion.

7. It should be borne in mind that there is still much latent fear of US in a number of circles. Labor's suspicion of American "capitalism"

⁸ Ambassador Lewis W. Douglas testified on the Interim Aid Program during hearings before the House Foreign Affairs Committee, November 10-15, 1947.

⁹ For a summary of the report of the President's Committee on Foreign Aid, released to the press by the White House on November 8, 1947, see Department of State *Bulletin*, November 16, 1947, pp. 936 ff. For related documentation, see *Foreign Relations*, 1947, vol. III, pp. 197 ff.

still lingers. Conservatives fear American competition and American threat to imperial preferences. All groups fear that US policy may be erratic in particular instances. For example, all groups wonder what the apparently American-Soviet instigated policy for Palestine will ultimately lead to in the Near East in terms of oil and political chaos exacerbated by Soviet pressure. All shades of political opinion are concerned lest US policy will drag them into other adventures. Similarly all groups wonder how a clash can be avoided between American interests and western union, should western union countries take concrete steps in their empires to reduce their long-term dependence on US for such goods as tobacco, cotton, films, etc.

8. In short, while US-UK relationship is virtually unbreakable and while we have every reason to be satisfied with development Anglo-American solidarity in last few months, we must not take too much for granted. Delays in ERP to the point of exhausting British dollar reserves, or major reductions in amount of aid or attachment of conditions offensive to British pride may endanger this solidarity in critical period ahead. It is because British gratitude to US today is not unlike what it was in the days when lend-lease bill was being debated in 1940 that Bevin could take a calculated risk in standing up to Soviet Union. But it was a risk based on assumption that US aid would be forthcoming in acceptable form. If that expectation should be disappointed, no one can say what the outcome would be. So great are the stakes that British may have no alternative except seek rapprochement with Soviet Union, no matter what government might be in power.

V. DOMESTIC POLITICAL SITUATION

1. Government has staged strong comeback since August/October when it appeared to be tottering and there was much public speculation to effect Attlee would resign, government would not last more than few months, there would be early general election or possibly a coalition government. This speculation has now completely died out. Reasons for this change were cabled in Embassy's 6622, December 24.¹⁰

2. Attlee came through political crisis with enhanced reputation. His weakness as public figure often obscures his strong points. He is skillful, clear-thinking politician. He is stubborn, courageous and not easily rattled. He appeased Aneurin Bevan¹¹ and labor left-wing who demanded immediate nationalization of steel industry with bill to

¹⁰ Not printed ; it gave as reasons the return of general confidence in the Labour Government ; the failure of the December meeting of the Council of Foreign Ministers, which caused many left-wing Labour members to fall in line behind the Government ; and a fuller realization of the United Kingdom's economic dependence on the United States. (841.00/12-2447)

¹¹ British Minister of Health.

amend power of Lords to delay legislation. He transferred Shinwell,¹² who was major political liability, and shook up his Cabinet. He had a windfall when Dalton¹³ leaked on budget and had to be removed. (Dalton, it appears now, might be brought back in government in few months time—possibly as Minister of Defense in place of Alexander.) He backed Cripps' crisis measures in face of strong resistance from individual ministers whose programs had to be curtailed: i.e., education, housing, town and country development. He backed Bevin to hold [*hilt?*] on foreign policy and had satisfaction last week of seeing virtually the whole of Labour Party united behind Bevin. As result of these manoeuvres, luck and this reassertion his leadership, Attlee again heads a fairly well united Parliamentary Labour Party and Cabinet.

3. It is now generally felt that government has fair chance of running until end of its term (July 1950), but this is predicated on assumption (a) that ERP will materialize in acceptable form and provide economic underpinnings of European economic recovery, and (b) that government's measures to deal with British trade balance crisis will soon produce significant results.

4. Political consequences any failure ERP to materialize in acceptable form are unpredictable. While it might bring government down, it would more likely force coalition. Possibility that Labour Government might survive even that shock must be reckoned with. For then it is likely that whole of Western Europe would be driven leftward, forced to install tightly controlled economy designed to provide little more than food and shelter, and forced to seek rapprochement with Soviet Union. Britain could hardly escape being swept along in such a political current, and a Labour Government in those circumstances might well be regarded as a better instrument for accomplishing such a policy and such a *volte-face* than either a Conservative or coalition government.

VI. WESTERN EUROPE GENERAL

In our view, Bevin's speech January 22 advocating western union serves as excellent statement of British policy toward countries Western Europe.

Specifically he urged "not a formal political union with France" but "ever closer unity between two nations;" negotiation by France and Great Britain with Benelux countries of treaties similar to Dunkirk treaty; partial lifting of British travel ban; and "closest possible col-

¹² On October 7, 1947, Emanuel Shinwell, previously Minister of Fuel and Power, became Secretary of State for War.

¹³ Hugh Dalton resigned as Chancellor of the Exchequer on November 13, 1947, after details of the interim budget were released to the press prematurely.

laboration with Commonwealth and overseas territories not only British but French, Dutch, Belgian and Portuguese." He also referred to possibility of including "the new Italy in this great conception." (Switzerland was not specifically mentioned by Bevin, Attlee or McNeil.¹⁴) Nevertheless Bevin spoke rather of goal to be reached than means of obtaining it, and looseness of concept is clear from his statement "if we are to have an organism in the west, it must be a spiritual union." Attlee also defended absence concrete plan and was careful to endorse neither Churchill's United Europe Committee, nor Crossman's¹⁵ Socialist Western Europe. Omission of concrete proposals was source of disappointment and of practically all criticism to date except that from Communists and fellow travellers.

Use of treaty of Dunkirk as prototype in initial steps is regarded by Foreign Office as practical approach in that any treaty of alliance and mutual assistance will serve and although it deals principally with German problems it contains one article providing for economic cooperation.

Immediate and extensive support (Churchill said at least 75 percent of people and equal majority of Commons, other estimates run higher) is indicative not only of increasing unity and coherence within Labor Party on foreign policy but also of widespread realization in all but Communist circles that weakness and vulnerability of Western Europe demand something more than isolated attempts of each country to solve its own problems. ERP and formation Cominform stimulated thought along these lines. Britain itself has now admitted it needs M aid and as a corollary is with some reluctance abandoning its attitude that it is able to go it alone and also its position as aloof spectator it would have preferred to be. Its interest in the fate of free governments and economic stability in Western Europe, especially in France, will inevitably deepen as we draw closer together. No better evidence need be sought than British concern over French devaluation measures.

[Here follow sections on Germany, Scandinavia, Soviet Union, Poland-Czechoslovakia, Trieste, Hungary and the Balkans, Greece, Middle East, Iran, India and Pakistan, the Far East, Antarctica, and the British Colonies.]

GALLMAN

¹⁴ Hector McNeil, British Minister of State.

¹⁵ Richard Howard Stafford Crossman, Labour M. P. and assistant editor of the *New Statesman and Nation*.

840.50 Recovery/3-348

Memorandum by the Assistant Chief of the Division of British Commonwealth Affairs (Fales) to Mr. Henry R. Labouisse, Jr., Special Assistant to the Director of the Office of European Affairs (Hickerson)

SECRET

WASHINGTON, March 3, 1948.

I. SUMMARY OF LONDON'S REPLIES TO DEPT'S CIRCULAR 224 [244], JANUARY 24¹

The British reaction to a possible postponement of ERP until July 1, 1948 is contained in London's despatch 232 Jan. 29, 1948.² The British view is set forth in documents which the Embassy characterizes as "in effect imploring the United States to meet the April 1 date if possible". The British feel that, having stood aside in favor of more needy countries in connection with interim aid, their situation is desperate and the UK is now in line with other countries seeking American aid. The British state, "It is of crucial importance to us that . . . we should be able, when the aid became available, to use it for making good the drain on our reserves between April and July so that we may have some chance of maintaining our reserves until the end of the year at a tolerable level." The British add, "The uncertainties introduced by the method for the devaluation of the franc, which will of course be enormously magnified if other European countries follow France's example, make it all the more important that we should preserve considerable gold and dollar reserves." The Embassy observes that Great Britain could probably get through the second quarter more easily than could France or Italy, for example. The Embassy adds "It all seems to come down to the question of whether or not sufficiently firm assurances of adequate ERP aid on July 1 can be given to justify the drawing down of reserves to dangerously low levels." The Embassy does not feel that any direct change in the political situation, domestic or international, would result from delay but "any added hardships imposed on the British people by a postponement of ERP might well have seriously adverse effects on labor morale and hamper the development of production."

II. OFD ALLOTMENT OF ERP FUNDS

a) The OFD memo 2/27/48³ assumes that 395 million dollars will be needed to prevent retrogression with \$100 million additional to initiate recovery, for a total of \$495 million for April-June 1948. The

¹ Not printed, but see footnote 1, p. 1067.

² Not printed; for a summary of the British reaction, see telegram 340, January 28, from London, p. 1067.

³ Not printed.

memo suggests an allotment of only \$250 million, which will require drawing on reserves to the extent of \$245 million.

b) The British are extremely sensitive in regard to the state of their gold and dollar reserves. Cripps has referred to them as their last bastion. They are the reserves for the entire sterling area (except South Africa) and since the costly experiment in convertibility, their reserves have been husbanded with greatest care. It is desirable that the U.S. should avoid action which would tend to increase the strain on the sterling area reserves and which would further decrease world confidence in sterling. It is the view of BC that a drawing on reserves to the extent of \$245 million during the April-June quarter might seriously further weaken the position of the U.K. as center of the sterling area and increase the pressure for devaluation of the pound which the British so desire to avoid.

British reserves on April 1 will as estimated be \$2,375 million. With a dollar drain at the rate of 50 million a week and an allotment as contemplated by OFD of only 250 million the reserves would then be \$1,975 million June 30.

It is the view of BC that it is desirable to avoid this reduction in British reserves and that an allocation to maintain them even at the April 1 estimate should if possible be made. This would involve an allocation in the nature of 400 million or more, rather than the 250 million suggested by OFD.

The British have set a level of \$2,000 million as the minimum below which the British should not allow their reserves to fall. It is the feeling of BC that if their reserves should be allowed to reach that point serious pressure might arise and it is therefore recommended that the British reserves be maintained at the level which it is anticipated they will reach April 1.

BC cannot adequately appraise the need for ERP funds in other countries but BC feels it most desirable that the UK receives an allocation of between \$400 and \$425 million for this quarter.

840.50 Recovery/4-248 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

SECRET

LONDON, April 2, 1948—2 p. m.

1331. 1. Embassy fully concurs with main points in analysis British trade and financial policy and British attitude toward European economic cooperation outlined Paris telegram 1633 March 28¹ but be-

¹ *Ante*, p. 404.

lieves economic issues raised Paris telegram involve questions major political policy.

2. British policy toward Western European Union and toward European cooperative economic arrangements has been pragmatic, *ad hoc*, and frequently undefined. It has been characterized by an empirical approach to economic and political problems as they arise, and by the absence of blueprints or what might be termed constitutional or institutional proposals. This approach has been evident in practically all phases of British policy toward Western Europe, from the Labour Party's cautious attitude at the International Socialist Conference on ERP (Embtel 1197, March 23²) to the thinking of the Foreign Office on the powers of the continuing CEEC organization (Embtel 1012, March 12³).

3. In the political field, Bevin defined Western European Union in different ways in his January 22 speech to the House of Commons. It is now clear that Bevin's varied definitions actually throw light upon, rather than obscure, the intent of British policy toward Europe. British have concluded formal defense treaties where immediately practicable (Benelux and France), will concentrate only on economic ties in other cases (Scandinavia), and will await further developments in still other instances (Italy). In spite of variety of techniques British are employing in "consolidating Western Europe", two elements appear to be fundamental. First, British apparently do not now intend to go beyond traditional means of cooperation between governments in creating Western European Union, and do not now envisage any transfer of sovereignty to a supra-national body. Second, British policy in defense field in Western Europe is of course dependent upon and limited by US defense policy since British themselves are not in position to implement a Western European Union through effective military guarantees to their European neighbors.

4. In economic field, British policy is similarly pragmatic, and guided by consistent efforts to conclude most favorable economic deal for UK, more often than not regardless of economic pattern involved (a practice in which British could hardly be called exceptional to other European countries). British Government officials are extremely conscious that they are nearing end of margin of safety in their gold and dollar reserves and feel they must closely calculate every action to meet minimum needs of UK economy. Government officials are also aware that with continuing dollar drain by sterling area, ERP will at best be tight fit, and they are uncertain whether a viable British economy can in fact be achieved by 1951. As short-term necessity,

² Not printed.

³ *Ante*, p. 391.

British have negotiated an elaborate array of bilateral trade agreements in order to insure essential imports and conserve dollars. Nevertheless, Embassy believes British consider multilateral trade pattern as basic long-term objective.

5. With respect to specific European cooperative arrangements collateral to ERP, i.e. continuing CEEC organization, European Customs Union, and multilateral clearing agreement, British seem torn between advantages of independent action and demands of other European countries. Although never officially admitted, we suspect British may feel that they would retain stronger position by dealing bilaterally with US regarding ERP program rather than dealing through multilateral organization where UK programs would be subject to comparison and scrutiny by all European CEEC participants. However, British attitude toward continuing CEEC organization also rests on firm British sense of "the practical", experience with combined boards, UNRRA, and ECE, and on implicit assumption that no transfer of sovereignty will be made to CEEC organization. Regarding European Customs Union, we believe British are still uncommitted and will decide whether they wish to pursue active steps to realize Customs Union only after careful analysis of effects union would have on British economy. Because of strong popular feelings on question of imperial preferences, British will doubtless also insist that Customs Union would have no adverse effects on British economic relations with the Dominions and Empire. British have been cool toward multilateral clearing agreement because of a desire to maintain maximum freedom of action.

6. Embassy believes British consider political unification would eventually be a necessary complement to economic integration of Western Europe, but are reluctant to agree to principle of political unification because of complex and difficult adjustments that would be involved in UK-Commonwealth relations.

7. It seems to us British have not yet decided whether they should throw in their lot with Western Europe and work unremittingly for complete economic integration of Western Europe or whether they will continue luke-warm attitude toward cooperative measures while making every effort to retain ties with Empire-Commonwealth and attempting to deal bilaterally with US and other countries. If economic unification (which Embassy suggests can only be effectively achieved with political unification) of Western Europe is fundamental US objective, Embassy agrees with suggestion Paris telegram 1633 March 28 that high-level US-UK discussions are desirable (see Embtel 465 February 6⁴). Such discussions might result in stimulating more

⁴ Not printed.

cooperative British attitude, especially as government is already under heavy pressure from public and many MPs of all parties to take more far-reaching steps with respect to Western European Union. Over 150 influential back-bench MPs of all parties have signed resolution calling upon government to propose immediate creation of a council of Western Europe with formation of an organic federation in Western Europe as ultimate objective.

8. Although British economic weakness is well known, we believe that she is the strongest of all the Western European countries, and is therefore the only one among them which can play a dominant role in pressing toward Western European integration. Should she play this role, as we believe she must, she may, however, need the influence of the US as a reinforcement. Accordingly, the Department and the administrator, when appointed may wish to reconsider former position with a view to the US becoming more actively engaged in the CEEC organization and in other measures designed to unify Western Europe.

Sent Department 1331; repeated Paris 130; airmailed Rome, Brussels, The Hague and Stockholm.

DOUGLAS

Lot 58F47, Box 1287

Memorandum by the Treasury Representative in the United Kingdom (Hebbard) to the Ambassador (Douglas)

SECRET

LONDON, May 11, 1948.

Subject: The Drain on British Reserves

I. *Summary*

A. In the future movements in the level of British gold and dollar reserves will have more significance than in the past, because sources of borrowing have been depleted. These movements will also have more significance in terms of policy, because the British are going to attempt to prevent any further reductions in their central reserves.

B. In the four weeks ending May 1 the drain of reserves was reduced to \$23 million a week, as contrasted with \$45 million a week for the first quarter of the year.

C. The future drain is unpredictable because (1) the United States and the United Kingdom have not yet agreed on an import program for Britain; (2) United States-Canadian negotiations may result in further credits from Canada; and (3) the sterling area countries might draw on the I.M.F.

D. More gold might be received from South Africa—at some future time—if the flow of capital to the Union is curtailed.

E. It is not yet certain to what extent (if any) we will accede to the British proposal that E.C.A. should, in effect, cover the drain of the sterling area dominions.

[Here follow sections on the new significance of the reserve figures, the drain in the recent past, the prospects for the future, and policy decisions and other developments which will influence future drains.]

811.5151/5-1448

The Secretary of the Treasury (Snyder) to the Under Secretary of State (Lovett)

WASHINGTON, May 14, 1948.

DEAR MR. LOVETT: As you know, the dollar requirements of the United Kingdom presented to Congress in connection with the European Recovery Program did not include the dollar deficits of those independent sterling area countries which are not participants in the Program. The British have been attempting to meet this deficit problem through the use of their own resources. The British have now stated that they must maintain their gold and dollar reserves at their present level and therefore propose to meet the dollar demands of the sterling area countries by diverting their current dollar receipts. Since it has been assumed in the ERP calculations that these receipts would be used to finance essential imports into the United Kingdom, this proposal is tantamount to one involving a diversion of ECA funds.

As a result, we are faced with a problem which has a very direct bearing on the success of the Recovery Program and which has broader policy ramifications of an economic, financial, and political nature. It seems clear to me that a plan must be devised to deal with the essential dollar requirements of these sterling area countries without burdening the United Kingdom to the point where its own recovery will be seriously retarded. I suggest as an initial step to interdepartmental consideration of this problem that senior representatives of your Department, the Economic Cooperation Administration, and the Treasury confer at the earliest possible moment.¹ I am enclosing a memorandum prepared by my staff which I feel furnishes a basis for such discussion.

I am sending a similar letter to Mr. Hoffman.

Sincerely yours,

JOHN W. SNYDER

¹ In his reply to this letter, May 20, not printed, Lovett stated that the Department of State would be glad to participate in any further discussion of this question and would be represented by J. Burke Knapp, Director of the Office of Financial and Development Policy (811.5151/5-1448).

[Enclosure]

Memorandum Prepared in the Department of the Treasury

[WASHINGTON, undated.]

THE DOLLAR PROBLEM OF THE SELF-GOVERNING STERLING AREA COUNTRIES

I. THE PROBLEM ²

The British Government has placed squarely before the United States Government the problem of the dollar requirements of the independent sterling area countries not included under ERP. Of the total membership of the sterling area, only three independent members, the United Kingdom, Ireland, and Iceland, lie within the Recovery Program. The other self-governing members of the area, South Africa, India, Pakistan, Ceylon, Burma, Australia, New Zealand, Southern Rhodesia, The Faroe Islands, and Iraq, are excluded from the Program, although under existing sterling area arrangements, the dollar deficits which they may incur are met from British reserves.

In approaching this problem with a view to determining whether and to what extent the United States can assume responsibility for the dollar requirements of these countries, either within or apart from the ERP, there are far-reaching strategic and political considerations as well as economic considerations to be taken into account. In this paper there is no attempt to appraise these political or strategic considerations which are essential to a final determination of U.S. policy on this problem. The recommendations set forth herein approach the problem from the standpoint of economic considerations exclusively and are based upon the following broad assumptions:

1. The independent sterling area countries will, over the ERP period, face serious dollar problems, the precise magnitude of which cannot be determined except by studies comparable to those made for the CEEC countries.

2. The dollar requirements of these countries cannot be met by the United Kingdom over the next four years without jeopardizing the success of the British recovery program.

3. If the dollar requirements of these countries are met over the ERP period, some form of assistance will be required from the United States and/or from international lending agencies.

II. BACKGROUND

1. The British Government, in its response to a request for a detailed import program for the first quarter of ERP operations, has set forth

² At this point in the source text there was a footnote referring to an NAC document, not printed.

a policy of maintaining the country's gold and dollar reserves at their present level throughout the ERP period while continuing to meet the dollar demands of the self-governing sterling area countries. This policy implies that the dollar deficits of such of these countries as are not included under ERP will be financed from current British dollar receipts, thus lowering the attainable levels of consumption and investment in the United Kingdom.³

The British Government has taken the position that a continuing decline in reserves would (a) weaken confidence in the British economy, (b) leave the U.K. with inadequate strength to face the period when ERP assistance was no longer available, (c) force the U.K. to adopt policies which would undermine the general economic objectives shared by the U.K. and U.S. governments, and (d) leave the U.K. with insufficient economic strength to play a strong part in Europe and the world as a whole.

The British Treasury estimates that the British Government will be required to make net gold and dollar payments to self-governing sterling area countries of about \$300 million in fiscal 1948-1949. Although the amount may be somewhat less in subsequent years, a substantial drain is expected to continue throughout the ERP period. Nevertheless, the U.K. proposes to meet these demands, even at the risk of delaying recovery in the U.K. itself, because of the long-run strategic importance, both economic and political, of preserving the sterling area arrangements.

2. In the presentation of the ERP to Congress, it was postulated that the CEEC countries would use their current earnings in the Western Hemisphere, plus those of their dependencies, to finance their own essential imports from the Americas, U.S. aid being provided only to the extent required to supplement such earnings and other Western Hemisphere credits. Consequently, on the principle of fungibility, the use of current dollar earnings to finance deficits of the independent sterling area countries would have the same significance as the use of ECA funds. The use, by the British, of current dollar receipts from Western Hemisphere transactions for sterling area needs would thus represent a diversion of resources which, under the Program, had been allocated to the rebuilding of the British economy.

III. CONCLUSIONS

1. The policy which this Government adopts in dealing with this problem prior to March 31, 1949 must be conditioned by the terms of and the legislative history of the Foreign Assistance Act of 1948, unless

³ At this point in the source text there was a second footnote referring to an NAC document, not printed.

it should appear feasible to refer this problem to the Congress during the present session :

(a) At no time during the presentation of the ERP to the Congress was it indicated that self-governing countries outside Europe might become participants ;

(b) The dollar requirements of the United Kingdom, as presented to the Congress, were based upon the estimated net Western Hemisphere deficits of the United Kingdom and its dependent territories and did not recognize the need of the United Kingdom to make payments to self-governing sterling area countries out of current dollar receipts ;

(c) The total expenditure authorized would not be sufficient to achieve the levels of consumption and investment assumed to be essential to European recovery if the U.K. were allowed to make such payments out of current dollar receipts. Such a practice would be more serious if, as now appears likely, the ERP authorization is not adequate to cover fully the requirements of the participating countries themselves.

Therefore, it would not be appropriate for the United States to sanction the use by the U.K. Government of the dollar proceeds of current exports of goods and services to the Western Hemisphere for the purpose of meeting dollar demands of the self-governing sterling area countries during the first year of the operation of the ERP. Since the U.S. has been advised that the U.K. intends to adopt this practice, it would appear necessary that the British be informed of U.S. disapproval at the earliest possible date.

2. However, since it is in the interest of this Government to strengthen the economy of the U.K. and to enable the U.K. Government to play a leading role in the world economy, it would appear desirable to discuss this situation fully with the British and to offer a constructive program for assisting the British in meeting this problem. The U.S. should recognize that the British have proposed to use a portion of their current dollar earnings to meet the demands of sterling area countries only because the alternative solutions appeared to present even more serious problems. It should be recognized that, as a prudent government, the Government of the U.K. must preserve the maximum degree of flexibility possible in its financial position and keep in mind the fact that the U.S. has not as yet given full assurance that assistance will be available after March 31, 1949.

To minimize the impact which rejection of the British proposal must have upon the U.K. position, the U.S. should be prepared to offer the following program of action by this Government :

(a) For the initial year the U.S. should adopt the following approach to the problem :

(1) Support of requests by the sterling area countries for drawings on the IMF within the framework of policy which has been recommended to the U.S. Executive Director;

(2) Consideration of requests by these countries for loans from the International Bank and the Export-Import Bank;

(3) Allocation of ERP assistance to the U.K. in such amount as to make unnecessary the use of reserves to meet any portion of the Western Hemisphere requirements of the U.K. itself;

(4) Exploration of possibilities for ECA procurement in sterling area countries insofar as may be made in conformity with the general objectives of the Program.

(b) For the subsequent years of the Program, the U.S. should give consideration to other possible actions, assuming that an examination of the economic positions of the various sterling area countries indicates that assistance from this country is warranted. U.S. action might take either of the following forms:

(1) The self-governing sterling area countries could receive U.S. aid directly either within or apart from the ERP;

(2) Their requirements could be recognized as legitimate demands upon the U.K. and the U.K. might be (a) allocated ERP funds to meet those demands, (b) authorized to divert a portion of its current dollar earnings, or (c) authorized to divert the net earnings of the U.K. dependent overseas territories.

It must be clear that the ability of the U.S. to provide funds, directly or indirectly, for meeting sterling area demands, will depend upon the essentiality of their requirements. Consequently, in any case where U.S. funds or where current dollar earnings of the U.K. were to be utilized to meet sterling area demands, the United States might wish to participate in determining the amount of dollars to be provided either by the U.S. or by the U.K. to each of these countries.

3. It would seem neither necessary nor appropriate to attempt at this time a determination of the approach which might be used in bringing this problem before the Congress or of the form of assistance which might be afforded the self-governing sterling area countries. It would appear desirable, however, that the British Government be asked to submit detailed information concerning the dollar requirements of these countries in order that this Government may judge for itself the nature and extent of their essential requirements.

4. In any discussion of this problem with the British there should be an exploration of the efforts which the sterling area countries are making to reduce their dollar deficits. It should also be made clear that the way in which the British and the other self-governing sterling area countries cooperate with the ERP must, inevitably, bear some relation to the ability of the United States to assist in meeting the requirements

of the sterling area countries in subsequent years. The U.S. must expect that:

(a) The U.K. Government will give full consideration, in reviewing its export policy, to the needs of other countries participating in the ERP for essential commodities and for sterling credits.

(b) The U.K. Government will take effective steps to curb movements of capital which may have an adverse effect on receipts of gold and dollars. In this connection the U.K. should be expected to institute direct controls on all sterling transfers to South Africa.

840.50 Recovery/6-748: Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, June 7, 1948—6 p. m.

2116. From State and Treasury.

1. ECA, State and Treasury have discussed approach to be made to problem of dollar requirements of independent sterling area countries not participating in ERP. Basis of discussion has been Treasury paper entitled "The Dollar Problem of Self-Governing Sterling Area Countries"¹ of which Hebbard and Bartlett² have copies.

2. Tentative agreement has been reached on principle that US can not acquiesce to UK Govt diverting current dollar earnings to meet dollar requirements of independent sterling area countries during first year of ERP. (British proposal made in submitting ERP 1.) Positive approach to be made to problem for subsequent years of ERP still in exploratory stage.

3. Specific comments in inter-agency discussion on Section III conclusions of reference paper:

Para 1 Agreement as indicated above.

Para 2 a(1) Assistance from Fund³ considered practical and substantial.

Para 2 a(2) No appreciable assistance appears likely at present from International Bank and ExIm-Bank.

Para 2 a(3) Rephrase to read ". . . in such amount as to minimize so far as practicable the use of reserves to meet any portion of Western Hemisphere requirements . . ."

Para 2 a(4) Offshore procurement must be used with extreme caution and only in such cases as would clearly further objectives of ERP. Probably cannot be expected to make substantial contribution toward solving problem.

Para 2(b) Still under consideration. Serious questions raised regarding desirability of US direct participation in negotiations with

¹ Printed as enclosure to letter from Secretary Snyder to Under Secretary Lovett, *supra*.

² Frederic P. Bartlett, First Secretary and Consul at London.

³ The International Monetary Fund.

these countries re dollar requirements so long as they are not directly within program.

Para 3 Complete agreement.

Para 4 Questions unrequited exports, capital outflow and settlement of sterling balances still under discussion. No agreement reached on desirability of relating these questions to sterling area dollar discussions.

4. We propose to have informal exploratory discussion with the British here to obtain their present thinking and to indicate our tentative views on the immediate problem.

5. Your views and comments requested soonest.

6. Preliminary background study of dollar requirements of sterling area countries prepared by Treasury despatched to Hebbard by pouch. [State and Treasury.]

MARSHALL

840.50 Recovery/6-1148: Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

SECRET

LONDON, June 11, 1948—midnight.

2589. 1. I agree with principle that US cannot acquiesce to British Government proposal to reduce its own dollar expenditures below the total of ECA allocation plus current dollar earnings during the first year of ERP. (ReDeptel 2116, June 7) Legislative history of ECA including my testimony before Congressional committees was consistent with stated principle. I believe, however, that the above method of stating the principle is to be preferred over the statement in paragraph two of your cable, in spite of the fact that the two are in essence identical, because statement above emphasizes determination to prevent undercutting British recovery whereas statement in reference cable carries implications that US objects in principle to operation of basic elements of sterling area, and proposes to police individual dollar payments and receipts.

2. If British proposal to reduce imports could be implemented to the extent suggested this would result in receipt of more dollars than required to cover projected balance of payments deficit of UKTF and DGT as a group. ECA would have greatest difficulty in explaining this unless it could be maintained that extremely exceptional circumstances warranted deviation from principles established during Congressional hearing. It follows that only possible source of dollars for sterling area requirements is the reserve, which will have to be drawn on despite declared British policy of maintaining reserves intact. I believe this necessity will constitute strongest possible incentive for British to

exercise strict economy and it will support them in inducing Dominions to do likewise. British might even welcome this necessity as strengthening their hand in negotiations with Dominions.

3. I believe that underlying principle which should guide approach to this and other problems is that US assistance, while it should be adequate, should not be so large as to enable any government to postpone the necessity of facing up to the fundamental economic problems of the UK itself. These problems include the necessity to reorganize the economy to reduce costs: (a) through tax reforms to encourage capital formation, and (b) through measures to divert resources to productive uses. These readjustments necessary to the economic stability of the UK after 1952 and, in consequence, to world confidence in sterling and the strength of the sterling area. I recognize that the determination of what is an adequate amount of assistance, and what would be an excessive amount, involves an exceedingly fine judgment. In any event we should avoid giving impression that we are attempting to embarrass existing government and bring about its fall.

4. Preceding paragraph should not be interpreted to mean that direct or indirect assistance to sterling area countries to meet reasonable needs on current account in succeeding years of program is thought unwise. Desirability of such assistance will have to be decided on basis of developing economic situation and in light of political and strategic considerations specifically omitted in memorandum¹ referred to in paragraph one your cable. But such assistance, if deemed advisable, should not be so generous as to permit relaxation of economic recovery efforts on the part of the British. I agree with statement under (b) on page 4 Treasury memorandum May 14 that provision of US funds for sterling area demands must depend upon the essentiality of their requirements.

5. In view of the delicacy of UK/Dominion political relationships and sensitivity of British to US attitudes toward sterling area the presentation to British proposed paragraph four reference telegram should be made carefully and any documents given British or for publication should be drafted with great care to avoid unnecessary offense to British pride. At best our attitude represents bitter pill for British to swallow. Suggest approach based on first paragraph sub-section 2 of section III of Treasury memorandum May 14. We are particularly conscious of the need for some flexibility in laying down principles and criteria.

DOUGLAS

¹ Under reference here is the Treasury memorandum "The Dollar Problem of Self-Governing Sterling Area Countries" sent as an enclosure to the letter from Secretary Snyder to Under Secretary Lovett, May 14, p. 1084.

Berlin Mission Files : Lot F-169 : Box 34

*Department of State Policy Statement*¹

SECRET

WASHINGTON, June 11, 1948.

GREAT BRITAIN

A. OBJECTIVES

The basic objectives of US policy toward Britain are to obtain maximum British cooperation in the establishment and maintenance of a just and lasting peace and in the protection of our national interest. It is our dual objective that peace shall be maintained by cooperation with other like-minded nations, of which Britain is the outstanding example, through the United Nations or other broad international machinery, and that we shall have informal working arrangements with the United Kingdom which can be immediately implemented, if necessary, for defensive purposes to maintain the peace and protect our national interest.

British friendship and cooperation is not only desirable in the United Nations and in dealing with the Soviets; it is necessary for American defense. The United Kingdom, the Dominions, Colonies and Dependencies, form a world-wide network of strategically located territories of great military value, which have served as defensive outposts and as bridgeheads for operations. Subject to our general policy of favoring eventual self-determination of peoples, it is our objective that the integrity of this area be maintained; that the United Kingdom retain control of her outlying possessions; that any retrenchment which she may have to make shall take place in an orderly manner; and that territory over which she may relinquish control shall not fall into less friendly hands.

As a defensive measure, it is our object to continue to develop, on an informal basis, wartime cooperative military arrangements with the United Kingdom, particularly as they relate to the exchange of information, the exchange of officers' training, arms standardization, and the mutual use of each other's naval and air ports.

The United Kingdom, with its Labour Government and its respect for individual liberty, is well fitted to counteract Soviet propaganda and, because of its historic position, is suited to take a leading part in

¹ Department of State Policy Statements were concise summaries of current United States policy toward a country or region, relations of that country or region with the principal powers, and the issues and trends in that country or region. The statements, which were generally prepared by *ad hoc* working groups in the responsible bureaus of the Department of State and were periodically revised, provided information and guidance for officers in missions abroad. No copy of the source text was retained in the central files of the Department.

the unification of Western Europe into a prosperous whole. It is our objective that the peoples of the UK shall continue to be devoted to the democratic ideals of life and that the UK shall continue to take a leading part in the Western European Union.²

The policies and actions of no other country in the world, with the possible exception of the USSR, are of greater importance to us. It is our objective that the United Kingdom shall have a viable economy and adequate standard of living and with sufficient margin to permit her to play her full part in maintaining overseas commitments, either individually or jointly with the United States or in accord with the United Nations, to maintain the peace.

B. POLICY ISSUES

Our general policies with respect to the United Kingdom are implemented with the realization that when working closely together with unity of purpose, the United States, the United Kingdom, and the Commonwealth constitute a presently unequalled force in international affairs. Their people have a common language, heritage, and legal system, devotion to the concepts of liberty and human rights, and paramount interests in the maintenance of peace. America and Britain, as presently constituted, are natural allies. Cooperation between the two governments in achieving coordination should be on a basis of equality. The bargaining power which its greater strength gives the United States must be used with restraint and tact since that course is better calculated to achieve our fundamental objectives.

While Anglo-American friendship is based on solid foundations, its maintenance and development require constant attention. This is especially true at present in view of the often expressed fear and resentment of the US in Britain, and similar feelings toward Britain in the United States. We seek to eradicate adverse British attitudes toward us and misconceptions about the US through a wide exchange of information, and by giving due weight to this factor in formulating American policies which affect British interests.

On the ideological level, the election of a socialist-labor government in Britain has strengthened that country's domestic position vis-à-vis Soviet propaganda. A government of this type is not so vulnerable with its own people as a conservative regime might be to charges of reactionary prejudice against the Soviets, and a socialist flavor to its policies is a good antidote to Communist appeal abroad. While the US would not adopt for her own certain of the internal economic and social legislation which the British have adopted, it is not our policy

² For further documentation on United States interest in the Western European Union, see pp. 1 ff.

to interfere with or attempt to direct the domestic legislation or policies of the democratically elected representatives of the British people.

1. *Political*

(a) *Western European Union*.—On January 22, 1948 Foreign Secretary Bevin proposed a Western European Union. While many points of his speech have still not been clarified, it appears that the UK favors a western European association stronger than an alliance but short of a confederation and that is not yet ready for any supra-national union. Among the difficulties for the United Kingdom in molding a strong western alliance is Britain's particular concern over balancing its European commitments with Commonwealth ties. Furthermore, Britain's own military resources are limited. She cannot speak for the Dominions on military matters, and it is obvious that the Benelux Pact would not be effective militarily without US support. On the political side, the British Labour Government has carefully stated its interest in a Socialist Europe but, as the Prime Minister has pointed out, the UK's own preferences would not be forced on any country.

The conclusion of the 50-year mutual defense pact with France and the Benelux countries at Brussels on March 17 gave further substance to Foreign Secretary Bevin's exposition. Britain desires Scandinavian support in all aspects of Western Union but realizes that Sweden's position is a deterrent to unanimous Scandinavian approval of either political or military *rapprochement*. The UK will therefore concentrate on tying all three countries to it economically and attempting to secure Norwegian and Danish adherence to the Brussels Treaty. The outcome of the April 18 election in Italy may pave the way for Italy to join the Brussels Pact, a course which the US would favor. Further developments are necessary before the UK can contemplate participation of Spain.

The UK is aware that in the final analysis economic cooperation of the type envisaged by the US in Europe is dependent upon some degree of political union and the difficulties in the way of a genuine political union are of the first magnitude. The UK does not appear to have come to a decision about political union in western Europe, although it is not enthusiastic about such a development. The success of US efforts to achieve such a goal will depend on the extent of US participation in various plans for European unity, but above all, on the extent of military and political commitments for immediate and unqualified assistance in the face of aggression.

US policy has been not to exert pressure on the UK to lead the way to a political union but rather to exert pressure to secure the formation of a western alliance and the progressively closer integration of the western European countries in all fields. The steps taken to date are

inadequate in the face of the Soviet threat, but the establishment of the permanent organization provided for in the Brussels Treaty is a good beginning. We are continuing to press the five parties, on the ERP analogy, to work out concrete plans for increasing their common defense with the means now available through standardization, integration, and coordination of production and supply, and only then to come to us for such residual assistance as may be necessary to supplement their maximum coordinated efforts.

(b) *The United Nations*.—Strong support of the United Nations and efforts to strengthen the organization so that it can effectively discharge its responsibilities are cardinal principles of British and American foreign policy. The US and UK, in general, have followed coordinated and consistent policies for these purposes. On matters of principle there have been no fundamental differences between the two governments: there have, of course, been occasional differences as to the procedure and solution to be adopted in individual cases. The Palestine problem is the major United Nations case to date in which the British and ourselves have taken radically differing positions.³ In the Security Council the only cases of any importance on which differences of opinion have arisen have been the Corfu case and the Anglo-Egyptian case.⁴ On these occasions considerations of national and Commonwealth prestige seem to have induced the British to take positions the soundness of which we questioned. These differences, however, did not develop into public disagreements.

In the economic and social fields, with relatively minor deviation, often arising from the British need for economy, the United Kingdom and the United States have pursued generally corresponding courses. We have also generally been in accord on trusteeship matters, although the UK, as a colonial power, has understandably taken at times a more conservative attitude than the US.

With regard to measures for strengthening the United Nations, more definite differences of approach and method have appeared. For example, during the 1947 General Assembly the British were lukewarm toward our proposal for the creation of the Interim Committee of the Assembly, which we looked upon as an important step forward in the strengthening of the organization. They were also not in sympathy with our position concerning modification of the veto and made efforts to induce us to withdraw our proposals on this subject.⁵ In both

³ For documentation on the Palestine case at the United Nations, see volume v.

⁴ For documentation on the Anglo-Egyptian case before the Security Council in 1947, see *Foreign Relations*, 1947, vol. v, pp. 761 ff.

⁵ For documentation on the United States policy with regard to the United Nations, see *ibid.*, vol. i, pp. 1 ff.

instances it is felt that the British were largely motivated by a wish to preserve their special privileges as a great power. Nevertheless, on the key political issues both in the Assembly and the Security Council where the lines have been tautly drawn between east and west, British support thus far has always been forthcoming in an effective way.

The continued coordination of the policies of the United States and the United Kingdom in respect to the United Nations is of great importance to our objectives in the realm of international organization. Bearing in mind the principles and purposes of the Charter, it has been our policy to support the United Kingdom and Commonwealth when under attack in the United Nations, both in order to strengthen our common efforts for peace and to maintain the position of the United Kingdom in world affairs. In general we have given the British full support on political matters, although in the earlier months of the United Nations when they were under attack (for instance, in the first Greek case), we sometimes assumed a moderating role. Following the enunciation of the Truman Doctrine, however, the US has perhaps been more aggressive than the United Kingdom and the latter has been more prone at times to play a moderating role, motivated partly by a desire to avoid a deepening of the split between the eastern and western powers in the United Nations.

(c) *Germany*.—The US regards as vital continued British partnership in the military occupation and administration of western Germany. UK withdrawal is not an imminent prospect. Following the breakdown of the CFM conference in December, and particularly since the London discussions on western Germany, the coincidence of US and UK views on Germany has become so marked as to obviate the likelihood of any serious differences arising in future discussions. The London talks revealed that the UK subscribed to US views on the type of federal political structure envisaged for Germany.⁶ And, while the UK favored much stricter international control of Ruhr industries, it was prepared to accept the more restricted formula of international supervision agreed upon in London. Theoretically, there is a difference over the issue of public ownership of Ruhr industries, but although the British have reiterated their devotion to socialization, they have in practice agreed to shelve the issue.⁷

Like the US, the UK recognizes the economic interdependence between Germany and the other European countries, and the relation between German recovery and European prosperity. At the same time the British do not consider Germany as an important source of goods

⁶ For documentation on the six-power London talks on Germany, see vol. II, pp. 1 ff.

⁷ For documentation on the question of the International Control of the Ruhr, see *ibid.*, pp. 448 ff.

required to make up shortages at home, with the exception of steel scrap, timber and certain chemicals. In this respect, their position resembles that of the US, and differs from the Russian, and, to some extent, the French. For this and other reasons, including the fact that they were not occupied by Germany, they do not look upon the occupation as an opportunity for the economic exploitation of their zone. There are, however, certain differences in approach and interest between the UK and the US which tend to make for divergent policies. The British appear at times to be concerned with the competition of German export industries in world markets, which tends to conflict with their awareness of the importance of German recovery for European and British prosperity. While the latter is usually dominant, the fear of German competition at times influences the British position on specific issues. The UK shares the US conviction that financial reform is an urgent necessity. However, the British take the view that it would be better to allow the price level to grow up to the supply of purchasing power, while we prefer to cut down money supply to fit the price level. Although the British have officially abandoned their view, it still appears to influence their attitude on many points.

It may be expected that the British will seek to bring to the attention of the US Government issues on which they have been overruled by US occupation authorities, and that this conflict will have to be reconciled by US authority on a higher level.

(d) *Italy and Trieste*.—The attitude of the UK toward Italy still reflects some of the bitterness engendered by the anti-British policy of the Mussolini regime in the years immediately preceding the war and by memories of the UK's single-handed and desperate struggle against the Italians and Germans in the North African desert and Mediterranean. During the past year, however, it appears that the British have realized the importance of supporting Italy both diplomatically and economically if the Italians are to remain oriented toward the western democracies. Due to this realization and the revival of historic ties of friendship between the two countries, the British are now much more inclined to pursue a policy in line with our objectives of giving the Italians every possible assistance and support for the purpose of restoring a strong and democratic Italy, which will not only be able to resist the attempts of the Communists to gain power in Italy, but will also add to the combined strength of the western European powers. While there still remain traces of enmity for Italy in some UK circles, it is considered that British policy toward Italy is now substantially the same as that of the US.⁸

US-UK policy with regard to the Italian colonies has not yet been

⁸ For documentation on the U.S. policy toward Italy, see pp. 724 ff.

fully determined with the exception that both powers are agreed on the importance of retaining Cyrenaica as a British base, in order to compensate strategically for British withdrawals from Palestine and Egypt. With regard to the other former Italian possessions, both governments have been somewhat inclined to favor Italian participation in their future administration. However, we share concern as to Italian ability to maintain order should the control of any of these colonies be returned to Italy, particularly in view of the limitations on Italian military forces imposed by the Peace Treaty.⁹

Toward the Free Territory of Trieste UK and US policies must of necessity be identical in application, in view of the fact that the US-UK Zone is under the joint administration of the two governments through the Combined Chiefs of Staff under whose orders the Commander of the UK-US Zone administers the territory. This arrangement is a continuation of the Combined Command organization which administered the Italian armistice prior to the coming into force of the Italian Peace Treaty. UK objectives in the Free Territory are in all respects substantially the same as those of the US, i.e., to prevent by all means the domination of the area by pro-communist elements and to work for the eventual return of Trieste to Italian sovereignty.¹⁰

(e) *Spain*.—The cornerstone of UK-Spanish relations is the strategic position of Spain and Gibraltar in the Mediterranean. The present political incompatibility of the two governments has disrupted, but not completely erased, an earlier pattern of friendly relations. Franco is impelled by isolation and the fear of Soviet influence to seek British friendship. The British Government needs Spanish imports and fears the chaos that might result from Franco's overthrow, particularly the possibility of a "dictatorship of the proletariat" committed to furthering Soviet interests. The British Government has hoped that in time, if Spain is not jostled unwisely, a strong center coalition of Republicans, Socialists and liberal Monarchists might emerge, capable of replacing Franco bloodlessly. Although the British Foreign Office has been said frequently to desire a restoration of the Spanish monarchy, and some officials in it are confessed "monarchists," there is no evidence that it is working toward such a solution.

The United States and the United Kingdom have virtually identical political and strategic interests in Spain and for this reason have frequently consulted in the past and sought to coordinate their actions. This has been true both of action within the United Nations and in re-

⁹ For documentation on the disposition of the former Italian Colonies, see pp. 891 ff.

¹⁰ For documentation on U.S.-U.K. joint administration of the Free Territory of Trieste, see pp. 502 ff.

lations between each of the two countries and Spain in the political and economic spheres. The British, however, have shown some reluctance toward moving in the direction of our current policy of reintegrating Spain economically, politically and militarily into the western European group of nations through the progressive normalization of Spanish relations with those countries and the United States. This reluctance is no doubt attributable to the fact that the Spanish question is still an important political issue for the Labour Government and Party in Britain, which is under strong anti-Franco pressure from its supporters. We failed to achieve an agreed position on Spain in the 1947 UN General Assembly, with the result that the UK voted in favor of reaffirming the 1946 General Assembly resolution on Spain, while the United States voted against such action. The British Government has taken a firm stand against the inclusion of Spain in the ERP, so long as the Franco regime remains, since it would cause, in the words of the Foreign Secretary, "a complete revolt in the Labour Party as well as amongst many conservatives who have bitter memories." The British believe that the inclusion of Spain would also make the ERP "appear as a line-up behind Fascism" and any agreement to such action on their part would complicate their relations as well as ours with the Scandinavian and Benelux countries.

(f) *Middle East*.—Pursuant to our general objectives, it is our policy to maintain all possible harmony and collaboration in the conduct of United States and British policies with respect to economic and social affairs in the Middle East. In this field British and American policies are designed to achieve economic stability and development in the Middle East as a necessary basis for political stability in that area. It is of importance to us that the United Kingdom does not, on account of its current economic weakness, withdraw its stabilizing influence and assistance in economic and social affairs in this area so extensively and rapidly as to leave a vacuum which we cannot fill, and which therefore would be open to the penetration of influence antagonistic to American and British interests and objectives. In October 1947, extensive informal discussions of economic and social affairs in the Middle East, and US and UK policies in regard thereto, were held in Washington with representatives of the British Foreign Office.¹¹ The result of these discussions was to reveal the close accord between essential British and American national interests and official objectives in this field. It was made clear that British and American interests and objectives are best served by avoiding conflicts in policy and action in this field and promoting the closest practicable collabora-

¹¹ For documentation on these discussions, see *Foreign Relations, 1947*, vol. v, pp. 485 ff.

tion, without however implying in any way whatsoever allocation of spheres of interest or other exclusive Anglo-American policies.

The control of the Mediterranean is of great importance from the strategic and political point of view. With Greece and Turkey as eastern outposts against the Soviet Union, and with unsettled conditions in Palestine, the eastern Mediterranean might well become a focal point in any ensuing conflict. Assistance from British bases at Malta and Cyprus would of course be of great value. It is our desire that Britain shall be able to conclude successful arrangements for a base or bases in the area to compensate for those surrendered by the withdrawal of British troops from Egypt and Palestine. In this connection Cyrenaica and other areas of North Africa become of increasing importance.

(g) *Greece*.—The UK has traditionally regarded Greece as a bastion of the British position in the Mediterranean. Since the end of the war the United Kingdom has sought to preserve a political balance inside Greece against the rise of any dictatorship “save the sovereign will of the Greek people.” Britain’s continued participation in Greece is of importance to us.

The British defended the independence of Greece against the threat of Communist domination for nearly two and a half years after liberation. During this period the gross cost of Greece to the British reached a total of over \$500,000,000. Unable to carry this financial burden, the British appealed to the US for such assistance as would prevent the collapse of Greece and counter the growing Soviet satellite aggressiveness and the spread of Communist-led guerrilla activities.

Ever since the assumption of responsibility in Greece by the US, the British have played a progressively secondary role in the internal and international affairs of Greece. Mainly because of US insistence on grounds of political and military desirability, British military and police missions and troops remain in Greece. While the British Government still reserves the freedom of withdrawing its troops from Greece “as soon as practicable,” it has indicated the intention of keeping its military personnel in Greece, with the approval of the Greek Government, until such time as the Soviet satellite threat to Greek independence is removed. While their role in Greece today is passive, the British military and police missions contribute substantially to a joint Anglo-American policy in the establishment of public order and the maintenance of political stability for the preservation of Greek independence.

One issue affecting Anglo-Greek relations is the question of Cyprus as a Greek national claim. The strong movement on the island for union with Greece has not, on the whole, interfered with the cordial relations of the Greek and British governments. However, the moment

the Slav threat to Greek independence is removed, public opinion in Greece will press for a solution of the problem in favor of union. For the foreseeable future, however, the Colonial Office regards Cyprus, like Malta, for strategic reasons as an exception to the general rule of advancing colonial territories to complete self-government.

So long as Greece's independence is at stake and Britain's position in the eastern Mediterranean area is weakened, British foreign policy will rely on continued US cooperation and assistance in preserving peace and security in Greece.

(h) *Far East*.—There are no outstanding Far Eastern problems in US-UK relations which cannot be resolved in the normal course of negotiation. Our primary strategic position in the area is accepted by the UK as the foundation of its own position in the Pacific. And, despite some misgivings arising from the American eclipse of British prestige and commercial interests, UK economic and military weakness dictates present reliance on American initiative in that area. We welcome the re-establishment of British outposts in the Far East, particularly in Malaya and Singapore, but without commitment as to the maintenance of the *status quo* in that region. We regard with favor the liberal action of the UK in implementing its earlier pronouncements relative to the aspirations of colonial peoples for independence. Britain's special position in Burma is not without advantages to the US so long as it does not compromise the development on a non-discriminatory basis of US commercial interests. The UK has supported US policy regarding Korea.

In reference to the Japanese peace settlement, the British are pressing for an early peace treaty with Japan. In view of important divergences among the interested countries in reference both to procedure and substance and of possible disadvantages to the US in the light of the present world situation, we do not intend to press for an early treaty. Neither the US nor the UK, however, rule out a Japanese peace conference without Soviet participation. As to the content of the Japanese peace settlement in general, the British set great store on restricting Japan through limitations on merchant marine, the war-supporting industries and possibly textiles. In tactics, especially in the Far Eastern Commission, the British tend to support the positions of the Commonwealth governments, notably New Zealand and Australia, on matters where British interests will be served. UK representatives usually allow Commonwealth representatives to take the initiative in opposing US positions. In view of the fact that US and UK positions on most important issues emerging out of the occupation and peace settlement with Japan are reconcilable, and of the further fact of joint US-UK interest in the political stability and economic

revival of the Far East, it is unlikely that the UK will refuse to go along with basic US decisions.

In China the historic roles of the UK and US have been reversed, with the US now taking the lead and the UK apparently happy to relinquish to us primary responsibility for policy determination as well as the uncomfortable position of chief target for easily-aroused Chinese xenophobia. UK reluctance to embark on a positive China policy has reflected the conviction that non-interference in Chinese affairs is the sole feasible course at this time, and that long-term UK interests will not be unduly impaired by the course of US action. In this position as temporary "silent partner," it is likely that the UK will go along with any fundamental course of action which we adopt. At the same time, there is some sentiment favoring restoration of Britain's formerly preeminent economic position in China and some resentment of US predominance. Aside from intensified commercial competition, the restoration of stable conditions would not be likely to pose any British challenge to the US position in China. Hongkong has assumed renewed importance as refuge and base of operations for British interests, and the British have taken a firm stand against Chinese attempts to whittle down their position. While retrocession is not an immediate prospect, we recognize that Hongkong remains a source of constant friction in Anglo-Chinese relations and that some accommodation must eventually be reached. The US position on this issue is not fully determined. Under present world circumstances the US favors retention of Hongkong by the British but its future attitude will depend upon developments in China and elsewhere.

(i) *American Republics and the Caribbean*.—There are, in general, no important sources of conflict between US and British policies in respect to the Latin American countries. The British, in general, recognize this area as one of predominant US influence. While the British relations with these countries are in some cases of considerable importance, in no substantial case are British interests pursued to the detriment of US interests. There are, however, specific cases of friction.

In the Argentine we have endeavored to assist the British in their negotiation of the Andes Agreement 1948 and in the trade negotiations in 1946. It is our feeling that we have been more helpful to the British in this area than they have been to us, but one reason for this is that in economic matters there have been fewer cases in which they might be helpful to us. However, in the case of the sale of military equipment, including jet planes to the Argentine, the British lacked frankness and were not cooperative to the extent that we felt they should have been. The British have liquidated large investments in the Argentine and Uruguay, in order to improve their financial position, and they

attempt to justify their sale of military equipment in the area by their need for foreign exchange. It is US policy that these countries shall look to us for military equipment in accordance with the arms standardization and inter-American defense agreement.

The British colonies and dependencies in the Western Hemisphere have given rise to some disputes with American Republics who also claim sovereignty over certain of them. We have in general refrained from taking sides in these disputes and have favored settlement by mutual agreement or submission to arbitration. The US delegation refrained from voting on the Bogota resolution which "declares that it is just aspiration . . . that an end be put to colonialism and to occupation of American territories by extra continental countries" and creates a commission to find a solution.

With regard to the Falkland Islands, the US, while not questioning British possession, has in recent years avoided such public references to the subject as might be offensive to Argentine sensibilities.¹² The British Antarctic claim is related to the general problem of an Antarctic settlement. The British have suggested to Chile and Argentina that their conflicting claims be submitted to the International Court of Justice, which proposal has been refused. We are now formulating a proposal for a trusteeship arrangement for the continent, which we plan to discuss with the British.

The long-standing dispute between the UK and Guatemala over the status of British Honduras recently became active as a result of a determined campaign instigated by the Guatemalan Government. US participation was confined to discussing with both sides the actions and retaliations taken, and to counseling moderation.¹³ The British and Guatemalans have not been able to agree to the terms of reference for submitting the case to the International Court, and the Guatemalans maintain the frontier in a "closed" status pending "removal of British forces" which consist of 250 or 300 troops.

2. *Economic*

It is the policy of this government to encourage eliminations of trade barriers among the western European countries, including the possible formation of a customs union, or unions, or a free trade area. We believe, however, that greater emphasis should be put upon the economic coordination in many fields, which is essential to the achievement and successful operation of a customs union, than upon the actual development of such unions. However, the success of US support for British

¹² For documentation relating to the Antarctic policy of the United States, see volume I, and *Foreign Relations*, 1947, vol. I, pp. 1043 ff.

¹³ For documentation on United States policy toward the Guatemalan-United Kingdom Controversy with respect to Belize, see vol. IX, pp. 81 ff.

participation in such a move would depend partly upon whether or not the necessary arrangements between the United Kingdom and the other parts of the Empire involved further reductions in British preferential margins or eliminations of preference in the UK. Such a development would be consistent with our policy of opposition to the British preferential system on the grounds that, while it has some political and sentimental advantages to the United Kingdom in maintaining the bonds of Empire, its uneconomic aspects far outweigh any possible advantages. Perhaps more than any other single factor, imperial preference represents a source of friction in the commercial relations of the United States and the members of the British Commonwealth. It must be recognized that there are many obstacles and much preparatory work is required before any decision can be made regarding British participation in a European customs union. For example, the effects on the comparative industrial structures of the United Kingdom, France and Benelux need to be assessed.

(a) *European Recovery Program*.—The basic purpose of the European Recovery Program was to promote a joint effort by the European countries, with US assistance, to put Europe on a self-supporting basis. Progress toward the accomplishment of this objective will strengthen the democratic countries of western Europe politically and enable them better to resist Communist and other totalitarian pressures. The political aspects of the program are emphasized by the refusal of the Soviet Union and her satellites to participate. The Recovery Program has become a major means by which United States foreign policy hopes to assist Britain and other countries outside the iron curtain to rebuild their strength and retain their democratic form of government and their independence.

The ECA Act declares it is US policy to encourage the countries of Europe through a joint program of economic recovery to achieve independence of extraordinary outside assistance, to sustain principles of individual liberty, free institutions, and genuine independence through assistance to those countries which participate in a joint recovery program. In this joint recovery program Britain is probably the most important single country. Britain was the first to realize the implications of the program, and Bevin's initiative in flying to Paris was as important in the formative stages as is Britain's cooperation and leadership in its continuing success. Because of close British economic ties with the continent, Britain's economic recovery is a major factor in the recovery of other countries, and without British economic recovery, the prospects of many other countries would be dim. The United Kingdom and its dependent territories will receive 40% of the world exports of the 16 western European countries and their depend-

ent overseas territories during the fiscal year 1949, and will provide 37% of the imports to these countries. In order to assist Britain to accomplish this recovery and to meet its large dollar balance of payments deficit, the UK is expected to be allotted approximately 25% of the \$5,300,000,000 authorized to be appropriated in the Economic Cooperation Act of 1948.

It is the position of the Department that the United States should make the following representations to the British Government with respect to the relationship between ECA and the sterling area :

(1) This government considers it to be in the interests of the United States that the multilateral trading and payments arrangement of the sterling area continue in existence, and that the UK play a leading role in the economic recovery of Europe.

(2) However, we regard as inconsistent with the objectives of the Economic Cooperation Act : substantial net transfers of capital from the UK to South Africa or to non-sterling area countries ; allocations of dollars from ECA sources or from current UK earnings to independent sterling-area countries, except in very special circumstances ; and large-scale "unrequited" exports to the same countries against accumulated sterling balances.

(3) We believe that for the fiscal year 1948-1949 the net dollar requirements of the independent sterling-area countries should be met out of the gold and dollar reserves of the UK, from the liquidation of foreign assets, and possibly from drawings of dollars from the International Monetary Fund and loans from the International Bank. If we are convinced that a sterling-area country is doing its best to minimize its net dollar requirements, and if we perceive no objection on other grounds, this government would be prepared to support the applications of such a country in the Fund or Bank.

(4) We have a strong interest in the early settlement of the sterling balances in accordance with the commitment undertaken by the UK in the Anglo-American Financial Agreement of December 6, 1945.¹⁴

(5) This government would welcome information from the British with respect to their estimates of the probable magnitude and direction of the prospective dollar drain to the independent sterling-area countries over the next two or three years.

(b) *Trade Policy*.—It is our policy to encourage the participation of the British Government in the program for the expansion of world trade and employment, of which the General Agreement on Tariffs and Trade and the Habana Charter for an International Trade Organization are the main features.¹⁵ The UK has participated in the negotiation of both these instruments and is committed thereby to a

¹⁴ For text, see Department of State, *Treaties and Other International Acts Series (TIAS) No. 1545* or 60 Stat. (pt. 2) 1841. For related documentation, see *Foreign Relations, 1945*, vol. vi, pp. 1 ff.

¹⁵ For documentation relating to the United States attitude toward the General Agreement on Tariffs and Trade (GATT) and the International Trade Organization (ITO), see volume I.

multilateral trade policy. However, these commitments represent an ideal to be attained in the future rather than a present reality, insofar as the United Kingdom is concerned. For example, the UK was unwilling to accept any limitation on its ability to discriminate in its import policy for the purpose of safeguarding its balance of payments, and agreement on the General Agreement on Tariffs and Trade was reached only after acceptance of a British proposal that rules for the non-discriminatory application of quantitative import restrictions would not apply until January 1, 1949.

In practice, the main features of the United Kingdom's commercial policy at the present time are: (1) the strict limitation of imports into the United Kingdom including discrimination against dollar imports; (2) the negotiation of bilateral agreements with other countries to obtain needed imports and to expand British exports and ensure the best possible return for those exports; and (3) the obtaining of essential food supplies by inter-governmental bulk-purchase arrangements. It is our policy to seek the reversal or relaxation of all these practices as soon as conditions permit.

The control of imports to minimize the dollar drain has of necessity resulted in discrimination against imports from the US. In general, the measures taken up to the present time fall within the exceptions to the rule of non-discrimination agreed upon by the two governments in Section 9 of the Anglo-American Financial Agreement. It may, however, be necessary for us to relax somewhat our interpretation of this section, in the light of the provisions of General Agreements on Tariffs and Trade and the charter of the International Trade Organization.

While British officials have underlined the importance of recent bilateral trade agreements in maximizing trade in the short run, they apparently recognize that in fact such agreements may not have the desired result, and that they are undesirable as an instrument of permanent policy. Statements have been made by government officials that bilateral agreements will not be continued any longer than is necessary. The United States disapproves of these bilateral agreements in principle, and, while recognizing that they may be justified as temporary, emergency measures, concurs in the British position that their use should be discontinued as soon as conditions permit.

It has been agreed in the General Agreement on Tariffs and Trade and the ITO Charter that state-trading enterprises shall operate in a manner consistent with the general principles of non-discrimination prescribed for measures affecting exports and imports by private traders. Bulk-purchase agreements of the type which the United Kingdom has concluded tend, however, to give certain sellers privileged positions in the UK market and to give the UK preferred rights to

certain products. We continue to oppose these agreements in principle when they are negotiated on a long-term basis.

It is clearly in our interest that the United Kingdom should receive all possible assistance in solving its balance of payments problem and in returning to a multilateral trade policy. Unless the United Kingdom is able to do this, the entire US effort to re-establish a multilateral world trade structure as expressed in the ITO Charter will fail, with potentially serious consequences for United States trade and world trade as a whole.

(c) *Strategic Materials*.—In connection with both regular industrial needs and for a strategic stock pile we have a direct interest in increased availability of strategic materials for which British colonies and dependencies constitute important sources of supply. Among these are manganese, chrome, and copper, which are produced in southern Rhodesia in important quantities as well as in certain other British territories, tin produced in Malaya, and industrial diamonds produced in significant quantities in certain British territories. There are besides other materials in those and other areas. The legislation enacted for the European Recovery Program provides for the extension of necessary assistance by the United States to encourage increased production of strategic materials in the cooperating countries and their territories, with a view to increasing the availability of these materials for the United States. Under the terms of this legislation it will be necessary for us to arrive at appropriate bilateral arrangements with the United Kingdom in this regard. It is important for the successful completion of such negotiations as well as for the service of continuing United States interests that the bilateral negotiations be not impaired by division of authority between the United Kingdom and the colonies and possessions, and that the British authorities stand prepared to cooperate effectively toward achievement of the purposes represented in this particular part of the legislation.

With respect to oil, American companies which receive their oil from sterling sources, particularly from Abadan and Haifa, have encountered difficulties because of regulations of the British Exchange Control prohibiting them from accepting sterling in payment for this oil sold in non-sterling areas. Inasmuch as British companies may accept sterling, this appears to be a discrimination against American companies. The problem has been solved, or partially solved, in some countries, but is acute for Palestine, Syria, and Lebanon, partially supplied by the Socony-Vacuum Oil Company from its share of Iraq oil refined at Haifa. Should Socony be forced to cease operations in these countries, which already are under-supplied, the countries may

place the blame on the United States Government or on Socony-Vacuum Oil Company. The question of payment for oil arising in the sterling area is now under discussion between the US and UK governments.

[Here follow sections on British relations with the Soviet Union, France, and the Commonwealth.]

D. POLICY EVALUATION

The United States in its recent policies with the United Kingdom has succeeded in maintaining continued British cooperation and participation in various critical areas abroad, but in order to do this we have in at least three substantive cases, Germany, Greece and Trieste, been forced to assume a large share of the burden formerly carried by the British. In both the Near East and Far East, Britain has evidenced increased willingness or desire to shift her burdens to US shoulders. Although in none of these areas is there a basic difference in US-UK policy, we must see to it that the British do their full share toward the implementation of our agreed policies.

Concurrent with Britain's realization of the futility of attempting to play a middle role, and with Britain's role of increasing leadership in western Europe, there has been developing in the United Kingdom a feeling that the US will share responsibility for the direct consequences to the UK and other western European countries of any Soviet action in Europe aimed at undermining the new continental policy. The British realize that the US could not be expected to go beyond what Britain and the European countries would be prepared to do in regard to military aid among themselves; still, any suggestion that the US would accept less liability than themselves for consequences of Soviet action would bring disillusionment. It is believed that US assurances to Britain and other western European countries might be effected as part of a regional collective agreement under the United Nations Charter. In pursuing this policy of strengthening the United Kingdom and other western powers we must constantly keep in mind the apprehensions of the USSR. Soviet fears might become aroused to the breaking point, and we must exercise caution that as a result of precipitate action the Kremlin does not present us with a *fait accompli* in the form of new aggressions. In our policy of supporting the United Kingdom we must, while maintaining a firm position against Soviet encroachment, exercise care not to force the USSR into a position from which it cannot retreat.

In pursuance of our relations with the United Kingdom relative to USSR we must be careful to maintain close consultation with the

British in order to promote reciprocity with them and in order to avoid any ground for suspicion by the British that we might enter into bilateral arrangements with the Soviets which would adversely affect the British position vis-à-vis the Soviets. On the other hand, we must be alert for any effort by the Soviet Union to drive a wedge between the United States and the United Kingdom. We must also watch for any British tendencies to yield on substantive issues in the face of Soviet pressure.

We must guard against any subterfuge by the Soviets designed to create a sense of false security in Britain and other western powers which would result in less determination to create a western union, political, economic, and military.

With regard to the United Nations, the most immediate problem with the British is to achieve agreement on the treatment of Palestine. On the longer term issues the question of principal importance is to come to a better understanding with the UK as to what measures are best suited to strengthen the United Nations.

840.50 Recovery/6-1448

Memorandum of Conversation, by the Secretary of State

SECRET

[WASHINGTON,] June 14, 1948.

Participants: The British Ambassador ¹
Sir John Balfour ²
The Secretary
Mr. Kennan ³
Mr. Wailes ⁴

During a conversation with the British Ambassador this morning on several Anglo-American problems, he left with me the attached notes for an oral statement which Mr. Bevin had asked him to make. After summarizing the notes, he said that he had already had a satisfactory talk with Mr. Thorp ⁵ on the ECA bilateral agreement, ⁶ and that while it appeared that Mr. Thorp would not be able to make all the changes in the draft which the British might like, nevertheless, Mr. Thorp had indicated that he was prepared to meet the British views in so far as possible.

¹ Sir Oliver S. Franks.

² British Minister in the United States.

³ George F. Kennan, Director of the Policy Planning Staff.

⁴ Edward T. Wailes, Chief of the Division of British Commonwealth Affairs.

⁵ Willard L. Thorp, Assistant Secretary of State for Economic Affairs.

⁶ The reference here is to the first draft of the master agreement for the ECA program, which had been delivered to the British Embassy on May 13.

[Attachment]

NOTES FOR ORAL STATEMENT TO MR. MARSHALL

Mr. Bevin noted particularly in your Portland speech⁷ your reference to the constant fear of the people of Europe that the United States will change its mind. He thinks it is true that public opinion in Britain and in Europe is uncertain on this score. This has a particular application at home. In spite of differences of outlook on social matters between the two governments, Anglo-American relations must remain very close since whatever the differences between our two systems, we are both opposed to the totalitarian system of the Soviet Union. But if, in view of this close tie-up, the impression is created that whenever American foreign policy appears to shift we are expected to shift with it, then there may well be an outcry at home to the effect that we have sunk to the position of a vassal state, and this, if it came about, could only redound to the advantage of the Soviet Union.

On an analogous point, Mr. Bevin is concerned about the drafting and negotiation of the European Recovery agreements. Mr. Bevin is sure you will agree that there should be consultation at the political level, not only on the actual provisions of any agreements, but on drafting them in such a way as to avoid the appearance of American domination and unfortunate public reactions at home and elsewhere.

I expect to be discussing this matter further with the State Department in the next day or two and I am sure that I can count on their sympathetic co-operation in the desired direction.

⁷ For the text of Secretary Marshall's speech, May 28, 1948, to the General Federation of Women's Clubs in Portland, Oregon, see Department of State *Bulletin*, June 6, 1948, p. 744.

840.50 Recovery/6-2348: Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

SECRET US URGENT
NIACT

LONDON, June 23, 1948—8 p. m.

2768. For Lovett from Douglas. I. Hector McNeil, now British Minister responsible for bilateral negotiations in absence Bevin, asked to see me last night to discuss remaining difficulties. While he appreciates excellent work done by Thorp and Franks in Washington negotiations he feels over-riding domestic political considerations have now emerged justifying confidential discussions with me and transmittal his views and mine to you.

In McNeil's opinion there are three "breaking points" on which UK prepared risk agreement rather than accept present draft.¹ Unless we can meet these points, he insists, there is not a chance of getting the agreement approved by Parliament. The government has already been forced to promise a debate on the agreement and McNeil today suggested to Morrison that a debate must be scheduled even if it means postponing signature of agreement and loss of aid after July 3.

1) British cannot accept inclusion Japan and Korea in exchange notes accompanying agreement of which draft forwarded your circular June 19. McNeil mentioned the strenuous objections of Australia and New Zealand to extension MFN treatment to Japan and even more strenuous objections Lancashire if such MFN treatment includes British colonies. He remarked that if such conditions were accepted UK would prefer status of former enemy country rather than former ally and this is undoubtedly viewpoint which Parliament would take. I judge this to be one of the most difficult points. I recollect no legislative history suggesting this condition, at least as it relates to authorization act. Is there any history or reference in appropriation hearings or appropriation act? The May 18 analysis of the agreements (ECA/13²) defends only the extension of MFN treatment to occupied areas in Europe, which British are prepared to accept.

2) Equally vital point is infraction of British sovereignty implicit in article II (general undertakings). McNeil referred particularly to the phrase "will take all possible steps" in opening sentence, pointing out that UK has consistently refused to employ such language in bilateral trade agreements, notably with Russia, and parliamentary reactions have always been prompt and severe. The Cabinet insists that this phrase should be replaced by "will use their best endeavors" or equivalent language such as "will take all steps within the powers normally exercised in such matters." If the British modification were accepted appropriate revisions of remaining text should be made notably the phrase "take all possible steps in paragraph one, sub-paragraph (b). On sovereignty issue, Article II, paragraph one, sub-paragraph (c) regarded as equally crucial, even if opening sentence were modified. The phrase "as may be necessary" is particularly bad since British feel strongly that only UK can decide what financial and monetary measures may be necessary to stabilize the currency, maintain a valid rate of exchange, etc., whereas this draft implies that the signatory country is not the sole judge of these matters. The Cabinet has suggested as possibly acceptable the language of Article VII of the convention of OEEC, either by direct quotation or by reference. I would suggest as another possibility that the language be revised in

¹ The references in this telegram are to sections of the second master draft of the ECA Agreement, which had been sent to London with the circular telegram of June 19, not printed, following revisions of the first draft by representatives of the United States, United Kingdom, France, Denmark, and Sweden, meeting at Washington. Most of the British desiderata were incorporated in the final text of the ECA Agreement signed at London, July 6, 1948. For this text, see Department of State Treaties and Other International Acts Series (TIAS) 1795, or 62 Stat. (pt. 2) 2596.

² Not found in Department of State files.

more acceptable form by following more closely that of section 115 (b) and interpreting "where applicable" more generously.

3) The third "breaking point" arises from Article II, paragraph one, sub-paragraph (a) (3) re British assets in US. The UK was satisfied by the interpretive minute drafted in Washington which stated that the UK has already done all that is required under this clause, and in the view of the Cabinet this is literally the case. McNeil understands that the minute was withdrawn because France demanded similar consideration, although obviously this requirement was originally directed at the French situation. If the minute could be restored the British would accept this clause, since they could satisfy Parliament that it is not applicable to UK. Otherwise its presentation to Parliament would be a "disaster" in McNeil's opinion.

II. The Cabinet has instructed the UK delegation to maintain the British position on other points which are still serious although McNeil appraises them as less vital politically. The Cabinet's views on these points are summarized in the following paragraphs.

1) There is particularly strong British objection, although not on domestic political grounds and perhaps not to the "breaking point", against some provisions of Article V re access to materials. Paragraph one cannot be accepted because as presently drafted it obliges the UK to assist in obtaining materials for the US from world-wide sources. The UK cannot undertake such an obligation except as it relates to materials originating in the UK and . . . specifically. There is also very strong objection to paragraph three, which the cabinet insists must be deleted. Ministers feel that the UK might be directed under these provisions to use UK good offices to promote commercial undertakings which might be clearly contrary to UK interests. There is also grave doubt that such territories as Southern Rhodesia would accept any obligation to supply materials to the US in view of the fact that they do not participate in aid programs. In fact Southern Rhodesia has already recorded this view.

2) The UK delegation is instructed to press for the deletion of paragraph three under Article I re UK cooperation in off-shore purchases. The language is regarded as much too strong, drafted exclusively in the interest of the US, and it might be interpreted to require the UK to interfere in the affairs of a third country. Parliament would also regard this clause as an "abject surrender" by the UK, and McNeil referred particularly to the danger that US and UK interests might conflict in such areas as Argentina.

3) The UK objects to the reference to "justifications" in Article II, paragraph 1, sub-paragraph (a) (1) and points out that the justifications furnished for ECA aid were not drawn up with such requirements in mind and do not take exports into account. As the sub-paragraph is drafted, therefore, the UK might be subject to the criticism that it is re-exporting commodities received under the aid program, such as steel. The difficulty might be surmounted by redrafting all British justifications with this requirement in mind, but this would be an arduous undertaking. The British would much prefer to substitute language for the last part of the sentence to read: "as far as

practicable, with the general objectives set out in the convention of OEEC signed by all the participating countries." This would cover the point of possible re-exports.

4) The Cabinet is not clear as to the significance of "other countries" in Article II, paragraph one, sub-paragraph (*d*) and would require clarification as to the possible conflict of this provision with obligations assumed under ITO.

5) The UK questions Article II, paragraph three, regarding restrictive business practices, which fails to establish criteria or indicate under what authority restrictive practices may be regarded as damaging the recovery program. McNeil also remarked that no such provision is included in PL 472. The UK would, however, accept this paragraph provided both sentences of the agreed minute negotiated in Washington are accepted by the US. The US proposal to delete the second sentence is not acceptable to the UK because it again involves the question of sovereignty. McNeil suggests that if this provision must be included it follow more closely the principles of ITO charter.

6) The Cabinet feels that the interval provided for in the termination provisions of Article XII should be shortened. The texts now provide for a total of one year before termination is complete but the UK delegation is instructed to press for six months total. Similarly the UK is pressing for a reduction to one year of the additional effectiveness of Article V.

III. I understand that certain suggestions have been made by the US on the one hand, and by the UK on the other, which may result in the settlement of some of the points of disagreement referred to in paragraphs I. and II. above.

IV. If there continues to be a deadlock on the serious points in disagreement, the British will not as was suggested by the French, consult with France in regard to them, but will instead consult with a council of the OEEC.

V. A parliamentary debate on the bilateral agreement has been promised to the House of Commons before UK acceptance. If it is to be held in time for adequate discussion prior to July 3, the date of the debate must be next week. If the debate is to be held next week, notification to the House of Commons, in accordance with British parliamentary practice, must be given tomorrow, June 24, and copies of the agreements must be circulated to the members of the House of Commons at least two days before the date of the debate. In view of the present state of the negotiations and the apparent area of disagreement, it is not likely that copy of the agreement will be in shape in time to meet this schedule.

Since it has been generally understood that a debate next week will be held, a postponement to the following week, or later, will give rise to a series of questions which might well aggravate the relatively

strong feeling here that the US is behaving precisely as Molotov predicted we would behave.

VI. I pointed out to the British that with but two or three exceptions, the substance of the bilateral agreement was outlined in the authorization act, and that if there are any serious objections to them now, they should properly have been lodged at the time the act was being drafted and debated in the Congress.

VII. Would appreciate being kept informed.

DOUGLAS

711.41/8-1148: Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

SECRET

LONDON, August 11, 1948—5 p. m.

3625. 1. In recent months I have begun to sense an undercurrent of feeling here against the US both in and out of the government. Sometimes this takes the form of irritation and testiness, but recently it has taken on a much more serious form. At times their attitude towards US borders on the pathological, and there have been moments when the feeling here almost resembles an anxiety neurosis. I have tried to get at the bottom of this feeling and offer the following as a possible explanation.

2. Britain accepts our assumption of world leadership in face of Russian aggression, and Anglo-American unity today is more firmly established than ever before in peacetime. But Britain has never before been in position where her national security and economic fate are so completely dependent on and at mercy of another country's decisions. Almost every day brings new evidence of her weakness and dependence on US. This is a bitter pill for a country accustomed to full control of her national destiny.

3. As British see it, given enough help from US and sufficient time, they will reverse adverse economic trends of inter-war years and repair economic damage of two world wars. While they do not expect to regain former relative supremacy, with help from US they are confident that in conjunction with British Commonwealth and Empire they will again become a power to be reckoned with, which, associated with the US, can maintain the balance of power in the world.

4. For geo-political and historic reasons, they feel we need them almost as much as they need us; that US can never again retreat into isolationism; and that in all the world there is no more stable, predictable or reliable ally than British Commonwealth and Empire led by UK. Continental Western European powers could be tremendous

asset in balance of power, but for variety of reasons they cannot be counted on in same way as British and Commonwealth bloc.

5. One of main objects of US policy, in their opinion, should therefore be strengthening British bloc, and they regard as short-sighted and ill-considered any policy of ours which insists on treating UK on same basis as other Western European powers, or which weakens or fails to strengthen this bloc.

6. One of the reasons why our relations are subject to severe emotional strain is the quite natural reluctance of Britain to give up her traditional position of world leadership and assume the role of a secondary and dependent power. A second reason is that Britain expects that in conjunction with Commonwealth and Empire they will in time regain sufficient economic strength to deal with the US on relatively equal terms, hence they must avoid, during this period of convalescence, making economic concessions which might impede or interfere with the realization of this expectation. A further reason, which should not be overlooked, is that the British leaders, in government and civil service, are in a state of nervous and physical exhaustion. There is no buoyancy here, no sense of optimism and confidence, of daring and adventure. Every demand we make on them poses a heavy strain on the reserves of physical and mental energy of those who make decisions. But these three reasons do not give an adequate explanation of the present strain.

7. The major reason, I think, is that Britain is subject to pressures of all kinds—internal and external. On top of six years of war she has, since 1947, been living in an atmosphere of continuous economic, political, and international crisis with no slack, no margin for error, no room to manoeuvre. The British see the world dangerously unbalanced, in which only a few errors of policy may lead them to national destruction. In this world they are at the mercy of forces beyond their control and must rely at every critical turn on US decisions. They are therefore extremely sensitive to any US action or inaction.

8. Centuries of world leadership have taught them that leadership not only secures rights and claims, but imposes heavy duties, obligations and responsibilities. They are amazed at our progress in these directions since the end of the war. They appreciate the difficulties of adjusting a traditionally isolationist country to its suddenly acquired world position. They are also impressed by the many instances where we work together in harmony. At the same time they are sometimes baffled by what appears to them to be inconsistencies, loose ends or hesitations in certain of our approaches to international matters; not realizing that we too are baffled by what appears to us to be their own inconsistencies, loose ends and vacillations. But this is the way most people

and governments behave. There is no mirror in which any government can or will perceive a true image of itself.

9. When we begin to exert pressure on them to adopt a course which they regard as extremely dangerous, or when we pursue an independent and diametrically-opposed policy, they find themselves in the dilemma of either alienating American opinion or embarking on a course which they regard as hazardous, if not suicidal. Our failure for a period to work out a concerted policy over Palestine, so important to the Middle East, is, in their minds, an example of this.

10. The British have seen us modify our position. For example, they recall our opposition when they moved into Greece in December 1944 to stop Communism, and point to our subsequent acceptance of responsibility when they no longer had the power to hold Greece.

In the economic field they recall our mistake in insisting, over their objection, on the premature restoration of sterling convertibility in the first American loan agreement.

11. British believe our differences will narrow as we acquire a fuller appreciation of the complicated political, economic and power inter-relationships which are required to restore and maintain the world balance of power. Meanwhile, as our joint relations to Russia become more critical and as the economic crisis here shows few signs of alleviation, their attitude towards us has become increasingly hypersensitive.

12. I would summarize the particular causes of her anxiety in recent months as follows:

(a) Uncertainty as to the course of action which should be adopted over the naked question of Berlin, if it reaches the point where the issue may be war. Because of her exhaustion, her sensitiveness to the geographical position of France, etc., and her realization that she will bear the first brunt of any attack. Britain, while fully conscious of the magnitude of the stakes in the game and while taking a firm and unequivocal stand, naturally hesitates to press matter to point of war. She is torn by the desire to delay matters in order to rebuild her and Western Europe's strength, and an appreciation of the dangers and far-reaching consequences of surrender in Berlin. This accounts for the great emphasis she places on the air lift.

British would, I think, react strongly to an act of war committed by the Soviets.

I have not discussed this directly with the British. The foregoing is my estimate of the situation, derived from personal interpretations of the many discussions I have had with Bevin.

(b) Our criticism that Britain is dragging her heels in re Western Union economic integration. UK feels we have too little awareness of the difficulties, and the length of time it will take to make concrete working arrangements or resolve complicated problem of UK's relationship to Commonwealth. They believe, rightly or wrongly, that nearly all of the constructive as distinct from platitudinous proposals have come from them.

(c) Our delay in giving Western Europe specific military guarantees.

(d) Our refusal to assume sufficient responsibilities in the Middle East, accept a trusteeship, or make explicit military guarantees against any Soviet threat to that area.

(e) Our failure to appreciate the seriousness of Britain's economic difficulties and our not infrequent demands that on a *quid pro quo* basis she make concessions to us which in her opinion will retard her convalescence.

(f) The hostility of some of our people to the sterling area: specifically, our apparent indifference to the significance of the sterling area or the need for a wide inclusion of countries within this system; economic separation of the US from the sterling area for the purposes of ECA.

(g) Our insistence on commitments to eliminate discrimination under the ITO Charter at a specific date without regard as to whether world economic conditions at the time will permit this.

(h) Our failure to reduce tariffs or control our inflation, without which it is questionable whether economic equilibrium can ever be established.

(i) The extraordinary demands we are making under ECA for data or demands to carry out policies which are impossible except under totalitarian conditions. British are not reluctant to supply pertinent information or pursue any reasonable policy we may suggest but they do not see how an operation of this kind can be carried out except on the basis of confidence in their integrity, their intelligence, their efficiency and their good faith.

13. I do not by any means wish to imply that every action of the British has been right, or that they could not have done a great deal more to improve their economic position. I think they have contributed to their own exhaustion by the heavy legislative program introduced by the Labor Government, just as they have contributed to their economic difficulties by some of the policies the government has followed. I am convinced that a great deal more could be done to improve production and productivity, lower costs, and modernize their industry. I could prepare a long and valid indictment of British internal policy and its adverse effect on her balance of payments and foreign policy. To put the matter cryptically (not Crippitically) the only answer to Britain's difficulties is to work harder and, I fear, for less. The present government is subconsciously beginning to realize this, but because it has for 30 years been promising the opposite, it finds it difficult to say this to its supporters. This too, I think, makes for sensitiveness here.

14. But all things considered, particularly the promises which the Labor Party has made over the span of a third of a century and compared with other European countries, Britain has done a reasonably respectable job. If often imprudent, it has nevertheless faced its many difficulties, both at home and abroad, with a good deal of courage,

determination and ingenuity. Labor and conservative thinking is remarkably alike here especially on foreign policy and foreign economic policy.

15. The purpose of this telegram is to explain what must appear to you, and what is in fact at times, the sensitive, neurotic behavior of HMG. But despite this neurotic and supersensitive feeling, we should keep in mind that the British appreciate the imperative need for the closest US-UK relationship and on the whole are anxious to accommodate their views to ours.

DOUGLAS

S40.50 Recovery/S-2048 : Telegram

The Secretary of State to the Embassy in the United Kingdom

TOP SECRET

WASHINGTON, August 20, 1948—5 p. m.

3312. For Douglas. Reurtel 3625, August 11. Since Hoffman's¹ return from Paris we have had several conversations concerning UK relations to OEEC. Hoffman has expressed grave concern over British attitude and feels they are not entering wholeheartedly into OEEC work. He further believes that unless they exercise real leadership to initiate and push forward effective measures for economic cooperation among OEEC nations there is good chance ERP will fail.

We have shared Hoffman's concern for some time, while recognizing that British Cabinet may not agree that UK actions lend support to our appraisal of its position. We consider that solution may well involve steps on our part affecting whole range of US-UK relations beyond those arising directly from ERP. We shall appreciate your views on the foregoing, also any concrete examples of British failure to act or British unwillingness to cooperate fully toward integration of European economies.

The Secretary would have an opportunity to discuss this subject at Paris next month. It may be advisable however not to await Paris meeting. We suggest that you and Harriman² discuss situation and if you agree call on Bevin jointly and forcefully call his attention to it. Repeated to Harriman, London pls pass to Finletter.³

MARSHALL

¹ Paul G. Hoffman, Administrator for Economic Cooperation.

² W. Averell Harriman, U.S. Special Representative to Europe, under the Foreign Assistance Act of 1948.

³ Thomas Finletter, Chief of the ECA Mission in London.

840.50 Recovery/8-3148 : Telegram

The Ambassador in the United Kingdom (Douglas) to the Secretary of State

TOP SECRET

LONDON, August 31, 1948—5 p. m.

3916. For the Secretary from Douglas. Reurtel 3312, August 20.

1. Of course I have been aware for some time that a number of those responsible for ECA operations in Europe have been expressing their dissatisfaction with the part played by the UK, and they have repeatedly accused the British of "dragging their feet". This attitude has been reflected in the American press. I have also noted that the British are extremely sensitive to this charge, to which they would reply, if they were debating the subject, that they have assumed a large measure of leadership and that their contributions to OEEC and to European economic integration have been substantial and constructive. Their attitudes in Paris conferences, as distinct from their actions, may have given the impression of doubt or even disagreement with some of our proposals, but they have not given us lip service nor have they indulged in platitudes.

2. I assume that your request for concrete examples of British failure to act or British unwillingness to cooperate is directed primarily to Harriman, who is in the best position to furnish the bill of particulars as far as Paris is concerned. In drawing up such a bill, I would suggest, some distinction should be made between situations in which the UK has taken the initiative in opposition, as distinct from situations in which the UK has simply taken the same position as other countries. There should also be taken into account the situations in which the UK has made definite contributions, and I am confident that there must be some of these. In general we must guard against jumping to the conclusion that there is something wrong simply because the British disagree with us. It all comes down to a question of motive, and we must distinguish between, on the one hand, honest disagreement for understandable reasons arising out of the complexities of UK relationships with the Commonwealth, European countries or ourselves, and, on the other, reasons which we could legitimately attack as reflecting misguided self-interest.

3. I am, of course, in close touch with Finletter and constantly following ECA relationships with the British, which seem to me to be conducted in an atmosphere of mutual collaboration and confidence. At the same time we have all been concerned over the British failure or apparent failure to go along with us on several problems:

(a) From the beginning of OEEC the British have not fully appreciated the importance of making certain that their representatives

in Paris should be people of the highest standing and command the widest possible popular appeal. I talked to Bevin about this when we were pressing for the assignment of an officer of Cabinet rank, but he met the point with an explanation based on the difficulties which arise from the structure of the British Cabinet, and I am sure that even Harriman is not pressing this point now. Personally, I felt that the British made a mistake in sending Oliver Franks to Washington instead of giving him this job in Paris, which he is eminently qualified to fill. It is not so much a matter of rank as it is of personality and intellectual quality, as Franks demonstrated in Paris last year.¹ The present arrangements appear to be far from satisfactory in that both Hoffman and Harriman find Hall-Patch's² personality unsympathetic, and considerable friction seems to be developing in Paris on this account. The problem of finding a suitable alternative is difficult, but I think we should work on it until it is solved.

(b) I gather that our conversations with the British over the development of a four-year economic project have been making slow progress, even taking into account heavy pressure on the civil service resulting from our multiple requests for rather elaborate import programs. It seems to us obvious that the evolution of a programme for achievement of basic objectives for the longer term and its integration with similar programmes by the other European countries should have first priority at this time and would represent a really constructive step. However, Finletter tells me that he has put this up to the British in words of one syllable and he now has hopes that a more helpful attitude may soon be apparent.

(c) During the ERP labor conference here³ it emerged clearly that the TUC attitude toward collaboration with American and European labor groups in a common program to further recovery objectives and to combat the Communist opposition in Europe can only be described as timid and vacillating. This is probably due less to the attitude of British labor itself than it is to its leadership, and I think that the govt and the Labor party might do more than they have done to encourage a more forthright policy.

4. I would like more time in which to consider the tactics which we should follow in putting these problems up to the British, and I am not sure that an approach by Harriman, Finletter and me is the answer at this stage. On several occasions, when I have gone to Bevin with other Americans, he has shown a tendency to react adversely, as though he felt that we were trying to put pressure on him, and there is danger that he might take a position in such circumstances which might become frozen. My own idea is to go first to Roger Makins⁴ on a completely personal basis and get his opinion, after which I might

¹ For documentation on Sir Oliver Franks' participation in the Paris Conference of the sixteen nations of the Marshall Plan, July 12-15, 1947, see *Foreign Relations*, 1947, vol. III, pp. 338-470, *passim*.

² Sir Edmund Leo Hall-Patch, Chairman of the Executive Committee of the Organization for European Economic Cooperation.

³ March 8-10, 1948.

⁴ Roger Makins, British Deputy Under-Secretary of State for Foreign Affairs.

see Bevin alone and explore the situation a little further. The problem is one of great delicacy, which should be approached cautiously. I agree with Finletter that we must keep after it until we have secured results, particularly in the matter of getting more successful British representation in Paris.

5. Before taxing the British with obstructionism, however, we must ask ourselves whether or not our own objectives in Europe have been worked out in clear and definite terms, framed realistically to take into account the economic and other complexities of the European picture. Reading between the lines of your message I have an uneasy feeling that we have not yet sufficiently coordinated our political, military and economic policies toward Europe, and particularly that we have not yet established the precise relationship of our work with OEEC within that larger framework. I doubt that economic integration can make sufficient progress by itself, and I believe that if it is to be achieved it will probably follow or evolve in parallel with other achievements in the equally vital fields of US political and military foreign policy. I realize that you have already had searching discussion with Lovett, Forrestal and Hoffman to determine our future policy attitudes toward OEEC and the direction and degree of integration in Europe that we want and can expect. In a matter of such fundamental importance it might even be necessary to arrange for periodic consultations of this nature in order to keep our policy toward European integration under frequent review on the highest level. Perhaps we can use the occasion of your visit to Paris (what a jolly time you will have!) to go into this whole problem. I have already discussed all phases of it with Finletter.

6. I have, as you know so well, an intimate interest in the suggestion that you may be considering steps affecting the whole area of US-UK relations, since I am directly involved. I would therefore be grateful for an indication what you have in mind as a possible course of action.

DOUGLAS

S40.00/9-1348 : Telegram

The Secretary of State to the Embassy in the United Kingdom

SECRET

WASHINGTON, September 13, 1948—7 p. m.

3626. Embtel 4045 Sept 9.¹ During Jebb's² visit he stated UK only govt really doing concrete planning looking toward Western Euro-

¹ Not printed ; it reported that the British Foreign Office favored consideration by the five-power commission as the best approach to the question of a European Assembly (S40.00/9-949).

² Hubert Miles Gladwyn Jebb, British representative on the Brussels Treaty Permanent Commission.

pean integration at least in economic field. He was advised we had seen very little evidence of it and that general impression here including press and public was that UK dragging feet. We indicated this impression might well be reflected in 1949 Congressional action on ECA unless Brit clearly showed drive and concrete results achieved.

Pls keep us informed developments.

MARSHALL

Editorial Note

For a memorandum by Mr. Richard M. Bissell, Jr., on the role of the United Kingdom in the European Recovery Program, see page 486.

840.50 Recovery/10-1848 : Telegram

The Acting Secretary of State to the Embassy in France

SECRET

WASHINGTON, October 28, 1948—10 p. m.

4208. For Harriman from State and ECA.¹ Bonesteel² refers to recent approaches by Hall-Patch to Harriman and by Makins to Finletter on problem of correlation Western Union rearmament with ERP (Dept of Army tel MA659 from Paris Oct. 18³). Only report on economic impact of rearmament received here is account of discussion of Brit rearmament program with Plowden⁴ by Douglas and Finletter (London Embtel 4315 Sept 29³). Current Brit thinking on this subject and your views would be helpful in our consideration of problem.

LOVETT

¹ Repeated to London for Douglas and Finletter as 4127.

² Lt. Col. Charles H. Bonesteel, 3d, Executive Director of the European Coordinating Committee of the Defense Assistance Program.

³ Not printed.

⁴ Sir Edwin Noel Plowden, Chief Planning Officer and Chairman of the British Economic Planning Board.

841.20/11-1748

Report by the Office of Intelligence Research

SECRET

[WASHINGTON,] November 17, 1948.

No. 4769

BRITAIN'S REARMAMENT POLICY: POLITICAL AND ECONOMIC
IMPLICATIONS

SUMMARY

The emergency rearmament program announced by the British Government in September 1948 is essentially of a precautionary nature

and does not in itself involve a radical departure in Britain's long-term defense policy. The latter is now under close Cabinet review and, while its terms have not been revealed, signs point toward a new postwar defense plan which rejects the earlier assumption of a 10-year respite from war, aims at putting the forces on an operational basis as rapidly as possible, and bases military strategy on a regional defense system embracing Western European union and a North Atlantic alliance. But in shaping this plan Britain is not wholly a free agent, its policy being limited by a reduced power position and the continuing struggle for economic recovery. In the final analysis an adequate rearmament program depends on American military guarantees and substantial economic assistance.

Meanwhile, the limited rearmament program of September, defined in strictly insular terms, is designed to alert the country to the seriousness of the international situation, to furnish strength for emergency needs (such as in Malaya), and to tighten administrative gears of a military machine which suffered a rapid postwar rundown. Measures include postponement for three months of the release of conscriptees in order to conserve trained strength, intensive recruitment for regular and reserve forces, accelerated production of munitions, and appreciable strengthening of the air arm through doubled production of jet-type fighters. Halting demobilization will boost effective troop strength by 80,000—resulting in new armed forces target figures of 825,000 by January and 790,000 by April, 1949—and foreshadows probable stabilization of British armed strength at some three-quarters of a million men. Effective combat strength is much lower than current order-of-battle figures would indicate and the ultimate size will depend on the need to maintain large cadres for training conscriptees and meeting overseas commitments, which have not been appreciably reduced despite the withdrawal from Palestine. Easing of left-wing pressures within the Labor Party will now allow the government to amend the 1947 National Service Act and raise the period of conscript service from 12 to 18 months as originally proposed by military planners.

Measures to strengthen air defenses confirm previous plans giving priority to RAF needs second only to research and development. Fighter squadrons in the United Kingdom are already equipped with jet-powered aircraft and it is intended to make these types available to overseas and auxiliary units. Production of jet fighters is being doubled. It must be emphasized, however, that even with this additional strength both production and operational effectiveness remain on a modest scale. Doubled output is being achieved through existing productive capacity and will result in an annual rate of about 1,000

jet fighters. Actually there are now less than a score of RAF interceptor squadrons stationed in the United Kingdom and in view of the commitment to provide auxiliary and allied units as well as the lack of trained servicing personnel, there is little likelihood that doubling jet fighter production will result in a parallel doubling of immediate combat effectiveness.

The central fact remains that the current emergency defense program is of limited dimensions. Though hard to translate into precise economic terms, the direct cost will probably add between £50 million and £100 million to the annual defense bill of £700 million, while the indirect cost resulting from manpower loss to industry will prove to be less than £100 million. Although not negligible, the cost for additional rearmament can be absorbed within present economic margins without depressing consumption levels or disrupting investment and export plans.

The picture would be completely altered, however, if a substantial rearmament effort beyond this point were undertaken. Defense requirements would then tend to dislocate the industrial effort, bringing drastic changes in living standards and production plans and jeopardizing the recovery program. This is the focal dilemma of defense: rearmament measures which require no substantial diversion of manpower and resources are inadequate in the light of the world situation, but a large-scale defense expenditure which would result in such diversion would undermine the foundations of British economic recovery on which its military power is fundamentally dependent. Essentially, Britain's defense problem is conditioned by the narrow margins of its economic capabilities, which leave little room for undertaking further commitments unless wartime sacrifices are imposed or additional outside assistance provided.

Consequent political pressures stem from this dilemma. On the central issue of strengthening defenses the government enjoys the solid political backing of the country, with the negligible exceptions of the Communists and a Labor fringe which advocates neutrality. From Eden to Crossman and from the *Daily Mail* to the leftist *Tribune*, all Britain is agreed on the basic wisdom of rearming, of placing the forces on an operational basis, and of building a regional defense system. Political differences, however, emerge in discussions of how far Britain, with its straitened resources and vulnerable economic position, can afford to undertake large-scale defense expenditure. The official view skirts the issue by emphasizing that present measures present no intolerable burden; Conservatives declare that adequate rearmament must be undertaken even at the cost of living standards and civilian production; and a large segment of Labor opinion, led

by Crossman, warns that rearmament at the cost of recovery will prove self-defeating. The influence of this last group is growing.

Official London is gradually adopting the view that the accent must continue to be on economic health and that economic viability must come ahead of adequate rearmament. It is now openly or implicitly assumed that the way out of the dilemma is some form of lend-lease and American military aid, and although there is some reluctance to accept such aid because of its presumed threat to Britain's freedom of political choice, there is no real opposition. The way out for Britain, it is now granted, is participation in a regional defense system geared to a North Atlantic alliance. Despite a series of difficulties resulting mainly from Anglo-French differences over the structure and objectives of a defense union and British preference for pragmatic solutions, creditable progress has been made in coordinating Western European defense plans. Consultative arrangements under the Brussels Pact have resulted in a certain measure of defense planning, including establishment of a unified military organization and consideration of financial aspects of defense. Real integration of command, standardization of equipment, and division of production according to national capacity are the goals; actual achievement has been far short of these targets and has been largely limited to the study of strategic and logistical problems.

The ultimate aim is the conclusion of the North Atlantic alliance, a draft of which is now being prepared in London by the Brussels powers following exploratory conversations in Washington. It would relieve Britain of many pressing defense problems. It would draw Canada (and perhaps other Commonwealth countries) into active partnership with Western Union; it would maintain the compactness of the Brussels union for economic and political purposes while expanding the purely military alliance to include some peripheral European powers; it would remove from British shoulders much of the burden of French hesitation and suspicion over an alliance that France continues to fear may lead to a war. Most important, it would throw upon the United States primary responsibility for meeting the cost of European rearmament without jeopardizing the European Recovery Program. That, at least, is Britain's present calculation.

[Here follow sections on the emergency defense plan, the cost of rearmament, the reappraisal of long-term defense policy, and regional defense and Western Union. An extract from the last of these sections is printed on pages 273 ff.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING SETTLEMENT OF LEND-LEASE INTEREST IN
FUTURE SALES OF SURPLUS STORES IN THE MIDDLE EAST**

[For text of Agreement, signed at London January 7, 1948, see Department of State, Treaties and Other International Acts Series No. 1698.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING RIGHTS OF UNITED STATES AIRLINES IN
CEYLON**

[For text of Agreement, effected by exchange of notes signed at London January 14, 1948, see Department of State, Treaties and Other International Acts Series No. 1714.]

**AGREEMENT AND ACCOMPANYING NOTES BETWEEN THE UNITED
STATES AND THE UNITED KINGDOM RESPECTING THE USE BY
CIVIL AIRCRAFT OF CERTAIN MILITARY AIR BASES IN THE
CARIBBEAN AREA AND BERMUDA**

[For text of Agreement, signed at Washington February 24, 1948, see Department of State, Treaties and Other International Acts Series No. 1717, or 62 Stat. (pt. 2) 1860.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING DISPOSAL OF JOINT INSTALLATIONS IN THE
MIDDLE EAST**

[For text of Agreement, signed at Washington July 12, 1948, see Department of State, Treaties and Other International Acts Series No. 1769.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING SETTLEMENT OF LEND-LEASE AND RECIP-
ROCAL AID ACCOUNTS AND INTERGOVERNMENTAL CLAIMS**

[For text of Agreement, signed at Washington July 12, 1948, see Department of State, Treaties and Other International Acts Series No. 1770.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING ECONOMIC COOPERATION UNDER PUBLIC
LAW 472-80TH CONGRESS**

[For text of Agreement, signed at London July 6, 1948, see Department of State, Treaties and Other International Acts Series No. 1795.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING APPLICATION OF MOST-FAVORED-NATION
TREATMENT TO AREAS UNDER OCCUPATION OR CONTROL**

[For text of Agreement, effected by exchange of notes signed at London July 6, 1948, see Department of State, Treaties and Other International Acts Series No. 1835, or 62 Stat. (pt. 3) 2941.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING A UNITED STATES EDUCATIONAL COMMISSION
IN THE UNITED KINGDOM**

[For text of Agreement and exchange of notes, signed at London September 22, 1948, see Department of State, Treaties and Other International Acts Series No. 1870, or 62 Stat. (pt. 3) 3577.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING ALLOCATIONS OF FERROUS SCRAP FOR
EXPORT**

[For text of Agreement, effected by exchange of notes signed at Washington September 30, 1948, see Department of State, Treaties and Other International Acts Series No. 1874, or 62 Stat. (pt. 3) 3598.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING ECONOMIC FUSION OF AMERICAN AND
BRITISH ZONES OF OCCUPATION IN GERMANY, EXTENDING THE
AGREEMENT OF DECEMBER 2, 1946, AS AMENDED**

[For text of Agreement, effected by exchange of notes signed at Washington December 31, 1948, see Department of State, Treaties and Other International Acts Series No. 1883, or 62 Stat. (pt. 3) 3645.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING DUTY-FREE ENTRY AND PAYMENT OF
TRANSPORTATION CHARGES ON RELIEF SUPPLIES AND PACKAGES
FOR THE UNITED KINGDOM**

[For text of Agreement, effected by exchange of notes signed at London December 1, 1948, see Department of State, Treaties and Other International Acts Series No. 1909, or 62 Stat. (pt. 3) 3798.]

**AGREEMENT BETWEEN THE UNITED STATES AND THE UNITED
KINGDOM RESPECTING PASSPORT VISA FEES**

[For text of Agreement, effected by exchange of notes signed at London November 9 and 12, 1948, see Department of State, Treaties and Other International Acts Series No. 1926, or 62 Stat. (pt. 3) 3824.]

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